

# Solutions for Small and Medium Enterprises in The Covid-19 Pandemic

Frida Ramadini<sup>1</sup>, Delyana Rahmawany Pulungan<sup>2</sup>

Universitas Padjajaran, Universitas Sumatera Utara, Medan<sup>1</sup>, Sekolah Tinggi Ilmu Pertanian Agrobisnis Perkebunan, Medan<sup>2</sup>

dhini92@gmail.com<sup>1</sup>, delpulungan@stipap.ac.id<sup>2</sup>

**Abstract.** This research is focusing to the identification of the condition and problems of small and medium enterprises (SMEs) food and beverage stall sector in Medan and provide short-term solutions to business sustainability in the Covid-19 pandemic crisis. The sample is selected by random sampling technique. The respondents are 100 SMEs entrepreneurs in Medan. Data analysis was performed by qualitative method. The results show that the solutions for problems of SMEs are acting innovative, maximizing service, optimizing the use of technology, increase sales with ball pick up strategy, developing of business management, expand business network, foresight captures business opportunities, application of health protocols in the business activities, policy for lending leniency, financial assistance, and structural policy.

**Keywords :** Optimization, Technology, Performance, ,SMEs, Covid-19 Pandemic

## 1 Introduction

The impact of the Covid-19 pandemic was experienced by all countries in the world including Indonesia. Pandemic has a huge impact on various sectors including the economic sector. Indonesia's economic growth slowed and experienced a decline in which economic growth in the first quarter of 2020 touched 2.97% compared to the first quarter of 2019 of 5.07% (bps.go.id). The decline in economic growth has made the micro, small and medium business sector (SMEs) in Indonesia, which has a strategic role and is one of the sectors that have made a major contribution to the Indonesian economy, becoming a part that is very much affected by this crisis. SMEs is one of many parties who felt the negative impact of this pandemic and at this time had to face a significant problem. The intended SMEs is a micro business of food and beverage stalls. From a survey conducted by 47% of SMEs they have stopped trying. The problems faced by SMEs during the Covid-19 pandemic included a decline in sales, difficulties in raw materials, obstructed distribution, capital and production decline. Data shows that around 37,000 SMEs are seriously affected by the existence of this pandemic, which is characterized by around 56% with a condition of decreased sales, 22% with problems in the financing aspect, 15% with problems of distribution of goods, and 4% with problems of difficulty in obtaining raw materials (kemenkopukm.go.id).

The Mini try of Finance's study proves that the domestic economy is experiencing disruptions due to the Covid-19 pandemic, including a decline in consumption and people's purchasing power for consumer goods and pressing the ability of producers and sellers. A decline in company performance in the trade, transportation and tourism sectors. Physical distancing, work and school from home have an impact on the decline in company

performance to termination of employment even some businesses that go bankrupt and of course have an impact on credit defaults (Santoso, 2020). Uncertainty that occurred in the Covid-19 pandemic crisis made the level of consumption and purchasing power of the people decreased and many people in their behavior were very careful in managing financial spending. Social distancing and physical distancing policies, the implementation of PSBB (large-scale social restrictions) and the application of work from home (WFH) which causes limited community activities outside the home and causes people to prefer to move from home also has negative implications and impacts on the side of the SMES entrepreneurs and cause problems in the business world value chain that resulted in many business sectors, especially SMEs that stop operating temporarily or permanently. This condition has a significant impact on the performance of the SMEs entrepreneurs.

Although the government has tried to overcome and plan various policies to support SMEs, such as credit restructuring, increasing the portion of the people's business credit (KUR), tax relaxation, to export-import related services, to deal with this situation SMEs entrepreneurs need to find solutions and develop strategies to be able maintain business and maintain business continuity with very complex problems. Seeing the various problems faced, especially in the Covid-19 SMEs crisis the SMEs need a survival strategy for business sustainability. SMEs need to reorganize business strategies and are required to have the ability to find solutions and develop strategies to be able to maintain business with very complex problems that will affect sales turnover and business profitability.

This study aims to identify the problems of SMEs in Indonesia and provide short-term solutions to business sustainability in the Covid-19 pandemic crisis. By knowing the problems and solutions to SMEs problems, they will be able to prepare themselves as well as possible to be able to survive for business sustainability.

## **2 Literature Review**

In the opinion of Demirbag et al. (2006), the success of small and medium enterprises has a direct impact on economic development in both developed and developing countries. Urata (2000) has observed the development of small enterprises in Indonesia, asserting that small enterprises in Indonesia play an important role in several ways. Their roles are: (1) becoming the main players of Indonesia's economic activities; (2) the provider of employment; (3) the important players in the development of local economy and community development; (4) the creator of the market and innovation through its dynamic flexibility and sensitivity, in addition to its association with several companies; (5) contributing to the increase in non-oil and gas exports.

According to Tambunan (2002), the characteristics of SMEs with competitive advantages are: (a) having good quality of human resources, (b) optimal utilization of technology, (c) capable of doing efficiency and increasing productivity, (d) capable of improving product quality, (e) having broad promotional access, (f) having a structured quality management system, (g) adequate capital resources, (h) having a wide business network, and (i) having entrepreneurial spirit. To be able to survive and compete, SMEs need to remain entrepreneurial oriented. In the face of uncertainty with an entrepreneurial orientation, entrepreneurs must be able to take innovative, proactive, risk-taking, competitive aggressiveness, and autonomy to strengthen their businesses.

SMEs sustainability is seen from the success of businesses in innovating, managing

employees and customers and returning capital (Hudson, et al, 2001). In the current conditions, technology plays a big role in the sustainability of company operations In dealing with the impact of Covid-19, the steps taken to the results of sustainability in SMEs, they are: (1) Using social media to promote products or businesses (2 ) Cash flow must be maintained in order to manage cash optimally (3) Re-budgeting, by sorting out which budget items are the priorities and adjusting the budget to the current conditions (4) Monitoring business transactions (5) Inventory, which is periodically and a real time monitoring of inventory (Indriastuti & Fuad, 2020).

### 3 Research Method

This research is using a qualitative research and it will be focusing on sector SMEs such as food and beverage stalls in Medan. The data collection technique used in this research is by doing the interview, observation, and documentation from primary data resources. This research is involving SMEs entrepreneurs that became the interviewees collected by random sampling technique. The sampling method by considering interviewees who have small industry enterprise, especially in small and medium business sector of food and beverage trade. Population is not known with certainty, then the number of samples is determined by the Lemeshow Formula, then the number of samples selected is 100 respondents. According to Miles and Huberman in Sugiyono (2013), it is stated that the activity of qualitative data analysis is done interactively and continue until complete or until the data is saturated. The activity in data analysis is consisting of several steps. First, data reduction and it is done by choosing primary problems, and focusing on important things, finding the themes and patterns. Second, data display and it will be given in form of short essay, chart, and relation between categories, flowchart and akin or narrative text. Third, to drawing conclusion and verification.

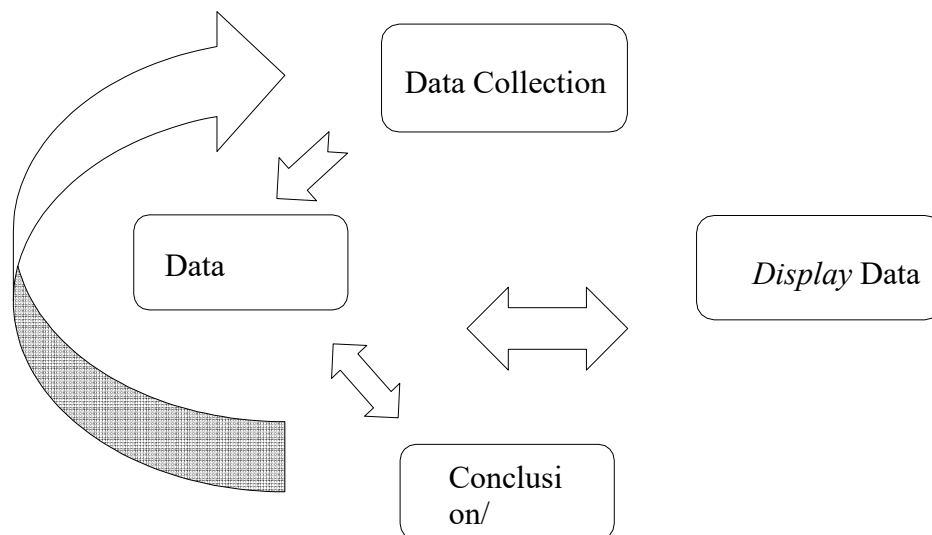


Fig.1. Data Analysis Technique

## **4 Results and Discussions**

### **4.1 The Problems of SMEs in The Covid-19 Pandemic**

Based on information obtained from research respondent/informants, the problems faced in the midst of a pandemic crisis have had a negative impact on the performance of the SMEs entrepreneurs. Problems encountered include:

#### **a) Decline in Sales**

In the midst of uncertainty that occurs the level of consumption and purchasing power of the people has decreased due to the large number of people in their behavior to be very careful in managing financial spending. This situation puts pressure on the producer / seller side. Community activities outside the home which tend to decrease also cause declining demand which affects the income and turnover obtained is not as expected and puts pressure on the SMEs.

#### **b) Raw Material Difficulties**

Raw materials are difficult to obtain due to disruption of the supply chain and raw materials cannot be guaranteed because their access from previous suppliers is also affected by this pandemic. In addition, the high price of raw materials is an obstacle faced by SMEs.

#### **c) Distribution Hampered**

Distribution experienced obstacles because the existing distribution channels did not run effectively. To reduce the increasing costs of SMEs entrepreneurs cut the product distribution chain by doing distribution activities themselves.

#### **d) Capital Limitations**

Capital limitations affect the production process carried out. Many businesses that experience reduced income streams find it difficult to balance cash flow so that they are ultimately unable to resume operations due to limited business capital that should be used for business purposes to be used for the sake of covering the cost of living and finally the business stops operating.

#### **e) Production Decreases**

As a result of the decline in the level of consumption and purchasing power of the people due to the large number of people who limit financial spending, production activities have decreased due to the low buying interest and consumer purchasing power of products produced by entrepreneurs.

### **4.2 Solutions for SMEs in The Covid-19 Pandemic**

The solutions for SMEs that can be done as a strategy to be able to survive the Covid-19

pandemic crisis include :

**a) Acting Innovative**

In order to be able to survive and compete, SMEs must be able to take innovative actions. For the business continuity, SMEs entrepreneurs need to do the right and fast innovation to create new activities with creativity. SMEs can innovate products by improving product quality so that they produce higher quality products. Setting product quality standards needs to be done to maintain product existence in the market. Improving product packaging with attractive and creative packaging and bringing out product uniqueness can also be done in innovation.

**b) Maximizing Service**

Improving the quality of service to consumers is also something that needs to be done to improve business performance. Changes in community behavior that reduce activities outside the home and people's shopping behavior that increasingly leads to online services (online delivery) that are currently in demand by the community are both challenges and opportunities they face. Product delivery services and ensuring products are received quickly and well in the hands of consumers are important to do.

**c) Optimizing the Use of Technology**

SMEs need to adapt to the use of technology in the production process and utilize technology to promote products optimally to gain potential markets and to increase business productivity. Utilization of technology in SMEs business activities will be able to provide increased value added products. SMEs can optimize the use of existing technology such as selling online, using social media, utilizing e-commerce media and online platforms for marketing products produced such as collaboration with marketplaces such as Tokopedia, Shopee, etc.

**d) Increase Sales With Ball Pick Up Strategy**

SMEs can proactively increase sales by using the shuttle ball strategy. This strategy is an active marketing method that can be carried out where SMEs actively offer their products/ services by offering or visiting their potential customers directly. With this strategy consumers will be easier to get information and offers related to the products they might need and consumers feel facilitated to meet their needs. The pick-up strategy can be done by providing a delivery service that makes it easy for consumers not to leave the house to get the product they need. With the development of telecommunications that has been very advanced other ways that can be done such as offering products via telephone, text message, WhatsApp, email or other mobile communication media. In this way SMEs can get a relatively broader range. Door to door marketing can also be an option in offering products directly to the field. This method makes consumers directly see the product directly and become interested in making a purchase.

**e) Development of Business Management**

Development of business management / management in the areas of marketing, operations,

finance and human resources needs to be done. In the field of marketing, digital marketing systems need to be developed that are right on target and can reach the wider community, for example by intensive use of social media for business purposes. In the field of operational management which includes improving quality, raw materials, production capacity and cost efficiency. Strengthening in the field of financial management of SMEs is required to be wise in managing business capital for business continuity efficiently and effectively and is able to ensure that cash flow is maintained, because cash flow is an important element in business. Development in the field of human resource management includes increasing the knowledge, insights and entrepreneurial skills of SMEs to be able to increase business productivity. SMEs must be entrepreneurial oriented by being proactive, innovative and risk-taking. SMEs must have an entrepreneurial mentality, continue to learn to innovate and develop creativity in order to improve business processes.

#### **f) Expanding Business Networks**

SMEs not only need to build business networks to support business. By expanding the business network, SMEs will be able to access information and share information on business trends, opportunities and threats. Business networks provide opportunities to promote businesses that are run. Connecting with fellow business or community activists will be able to add relationships, open up opportunities to meet potential people and broaden your horizons from many points of view.

#### **g) Foresight Captures Business Opportunities**

Another important thing to be able to survive and maintain business sustainability is not only capital and talent, but observant when looking at opportunities is no less important. By looking at the potential that exists in the environment can generate a business opportunity. Flexible and dynamic to see new business opportunities that always adjust to consumer needs.

#### **h) Application of the Strict Health Protocol in SMEs Business Activities**

SMEs can still carry out business activities using masks, gloves and maintain a safe distance between producers, sellers and buyers. The government can involve civil servants, security officers, and police to foster public security and order to oversee the implementation of SME business activities guided by strict health protocols.

#### **i) Policy for Lending Leniency**

The government can help SMEs by issuing policies for the leniency of financing installments of business credit/debt. It can also delay payments, simplify the administration process to get credit assistance during difficult times so that businesses can maintain their business performance during the pandemic.

#### **j) Financial Assistance for Financing**

The government can provide soft loans with low interest rates and mechanisms, using strictly supervision so that there is no abuse.

## **k) Structural Policies**

Structural policies are short-term for SMEs entrepreneurs such as the use of technology in the production process, the use of technology media for promotion, finding markets and potential target consumers so that the continuity of sales of the current place during the pandemic. Utilization of an online platform for e-commerce is very much in accordance with policies supporting physical distancing but sales continue to run, business revenue is maintained, the performance of SMEs continues to take place even tends to increase because people will prefer to shop from home. It is known that there is a 400% increase in online sales transactions during the Covid-19 pandemic, and it will even be predicted to increase during the new normal period (republika.co.id, 2020)

There needs to be special training for SMEs to implement e-commerce so that they can adapt to the use of technology, then it is also necessary to develop telecommunications infrastructure and a wide internet reach to the village (considering that many small businesses are in villages or small areas).

## **5 Conclusions and Suggestions**

As for the conclusions in this research are as follows:

- a) The problems faced by SMEs in the midst of the Covid 19 pandemic crisis are the decline in sales, difficulties in raw materials, obstructed distribution, declining capital and production.
- b) To be able to survive the Covid-19 pandemic crisis and maintain business continuity, as for solutions for SMEs that can be done include acting innovative, maximizing service, optimizing the use of technology, increasing sales with a pick-up strategy, strengthening business management, expanding business networks and capturing opportunities effort, application of health protocols in the business economic activities, policy lending leniency, financial assistance, policy structural.

The suggestions in this research are :

- a) SMEs should focus on the needs of consumers
- b) SMEs continue to innovate and be creative at both product and service levels and always adjust to changes and consumer behavior
- c) Furthermore, for future research, it is expected to study more sources and references, namely by adding variables and deeper analysis to obtain more complete research results using a mixture of methods, namely quantitative and qualitative methods.

## **References**

- [1] Brock W & Evans D.: The Economics of Small Business : Their Roles and Regulations in US Economy. Holmes & Meier Publishers. Teaneck, NJ (1986)
- [2] Demirbag M, Tatoglu E, Tekinsus M, and Zaim S.: An Analysis of The Relationship Between TQM Implementation And Organizational Performance : Evidence From Turkish SMEs. Journal of Manufacturing Technology Management (2006)
- [3] Hisrich, Robert D, & Michael P Peters.: Entrepreneurship. McGraw-Hill Higher Education, New York (2005)

- [4] Hudson, M, A Smart and M. Bourne.: Theory and Practice in SME Performance Measurement Systems. International Journal of Operation and Production Management (2001)
- [5] Hutagalung, Raja Bongsu, Syafrizal Helmi Situmorang, Frida Ramadini.: Kewirausahaan USU Press, Medan (2010)
- [6] Indriastuti & Fuad.: Theory and Practice in SME Performance Measurement Systems. International Journal of Operations & Production Management (2020).[https://doi.org/10.1007/978-3-030-50454-0\\_48](https://doi.org/10.1007/978-3-030-50454-0_48)
- [7] Lupiyoadi, R.: Entrepreneurship From Mindset To Strategy. Salemba Empat, Jakarta (2007)
- [8] Santoso, YI.: Menghitung Dampak Covid- 19 Terhadap Dunia Usaha Hingga UMKM, kontan.co.id (2020) <https://nasional.kontan.co.id/news/menghitung-dampak-covid-19-terhadap-dunia-usaha-hingga-umkmpage=all>.
- [9] Sugiyono. : Metode Penelitian Bisnis, Alfabeta, Bandung (2013)
- [10] Tambunan T.; Usaha Kecil dan Menengah di Indonesia; Beberapa Isu Penting, Salemba, Jakarta (2002)
- [11] Thaha, AF. : Dampak Covid-19 Terhadap UMKM di Indonesia, Jurnal Brand (2020)
- [12] Urata, Shujiro.: Policy Recommendation for SME Promotion in the Republic of Indonesia. Tokyo, JICA (2000)
- [13] Zimmerer W. Thomas, Scarborough M. Norman.: Kewirausahaan dan Manajemen Bisnis Kecil, Salemba Empat, Jakarta (2008)
- [14] <https://www.bps.go.id>
- [15] <https://www.republika.co.id>
- [16] <https://www.kemenkopukm.go.id>
- [17] <https://www.pikiran-rakyat.com/ekonomi/pr-01379615/1785-koperasi-dan-163713-umkm-terdampak-pandemi-covid-19>
- [18] <https://www.thejakartapost.com/news/2020/04/16/37000-smes-hit-by-covid-19-crisisgovernment-prepares-aid.html>