

# Covid-19 impact on MSME Business Operations around Banyumas Regency: Overview, Problems, and Suggestions

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**Abstract.** This study tries to make an overview about MSMEs condition that impacted by the Covid-19 pandemic in Banyumas regency and its surroundings and formulate policy strategies that can be done to mitigate this condition. The urgency of this research is to improve economic stability in Banyumas Regency, through the formulation of strategies for empowering MSMEs in Banyumas Regency. The number of MSMEs that becomes the sample of this study are 366 MSMEs in Banyumas regency and its surroundings. Among a number of solutions that are expected for MSMEs to be accommodated by government policies, the most needed policy is the provision of social assistance (for example reducing electricity costs, social cash assistance, and so on). This is followed by the need to provide credit relief for MSMEs in the form of relaxation and credit restructuring, lowering tax rates, tax reduction or deferral, and stimulus for working capital assistance.

**Keywords:** Covid-19, MSMEs Business Operations.

## 1. Introduction

In Indonesia, people tend to carry out activities via online, including work from home (WFH) and shopping via online after the implementation of social distancing. This is evidenced by a survey from Nielsen [1] in 11 countries in Asia, including Indonesia, which showed that 30 percent of Indonesian consumers doing online shopping more frequently after the implementation of social distancing. In addition, the demand for food delivery services has also increased. The survey results also show that 22 percent of people use food delivery services and 19 percent of people take take-away more frequently.

Social distancing makes people work at home which will lead to an increase in streaming, media and telecommunication services. The spread of covid-19 also provides great opportunities for online learning (for example, Ruang Guru, Ilmupedia, and so on) and online pharmacy services (Halo Doc, and so on). The two sectors had a small market share before the emergence of the pandemic.

Although several business sectors benefit, there are several sectors that will be hit hard by the spread of this pandemic. These sectors include, hotels and tourism, airlines, exhibitions or Meetings, incentives, conferences and exhibitions (MICE), restaurants, and cinemas or entertainment. The leisure sector is actually the business line that is worst affected by social distancing. Whereas previously, this sector was predicted to get many benefits from changes

in millennial behavior patterns. For example, Traveloka, which was recently named an Indonesian unicorn, was forced to lay off employees due to this pandemic.

Furthermore, the Nielsen Survey [1] reveals that 50 percent of the public has reduced visits to shopping centers. Recently, shopping centers have only opened outlets for household and health needs. In addition, reduced activities outside the home have reduced transportation service operations, thus reducing demand for oil and gas. Therefore, it is not surprising that world oil prices have dropped dramatically due to sluggish demand.

Not only in the national scope, the impact of the COVID-19 pandemic has also been felt by regions, one of which is Central Java. In Central Java, there are 3,000 Small & Medium Enterprises and 420 cooperatives that have begun to be affected due to disruption of the availability of raw materials and marketing, thus disrupting the production process (Suwiknyo, 2020). The MSMEs that were affected came from the food and beverage sector as well as producers engaged in textile crafts. Another problem, is the affordability of the market which has not yet touched the online sector. In fact, the existence of social distancing makes consumer behavior shift to online shopping so that producers must be able to facilitate changes in consumer behavior.

The Central Java Provincial Government has implemented several policies to overcome these problems. First, provide assistance and support for the supply of raw materials. Second, provide subsidies so that the small and medium enterprises sector can reach raw materials and continue producing. Third, take advantage of programs from the Ministry of Cooperatives in the form of distribution of raw materials, including programs for entering MSMEs into the online market (e-Commerce). On the other hand, banking through the central government scheme has provided relaxation in repaying credit for small entrepreneurs who are affected by the spread of COVID-19.

More specifically, the impact of COVID-19 is also being felt at the regional level, such as in regencies. Banyumas is one of the regency in Central Java that relies on MSMEs as one of the economic supports. Banyumas Regency has over 7000 MSMEs and 136 Fostered MSMEs [2-3]. The COVID-19 pandemic has certainly affected the economy of Banyumas Regency, as many as 1,222 workers from 54 companies in Banyumas Regency, Central Java have been sent home [4]. In fact, until 7 April 2020, 57 companies have stopped operating or temporarily closed due to the COVID-19 pandemic. Seeing the vital role of MSMEs in supporting the economy in the Banyumas Regency area, it is important to measure the impact of COVID-19 on MSME business operations in the Banyumas Regency area and its surrounding.

This study aims to determine how the impact of the Covid-19 pandemic on the economic conditions of MSME businesses in Banyumas and its surrounding and to formulate policy strategies that can be done to mitigate this. The urgency of this research is to improve economic stability in Banyumas Regency and its surrounding, through the formulation of strategies for empowering MSMEs in Banyumas Regency and its surrounding. The strategy is expected to be published to related MSMEs and also to the Banyumas Government and the MSMEs Service in Banyumas Regency and its surrounding so that it can provide feedback on the proposed strategy formulation.

## 2. Method

### 2.1 Type of Research

This research uses descriptive quantitative research methods. Descriptive research is conducted because researchers want to explore descriptive phenomena that are both natural and human engineering, which pay more attention to the characteristics, quality, and linkages between activities. In this study, what will be explored is how the Covid-19 pandemic phenomenon affects the economy in Banyumas Regency and its surrounding, especially in MSMEs, which can then be formulated as a strategy for empowering MSMEs in Banyumas Regency and its surrounding to increase economic stability in Banyumas Regency and its surrounding and mitigate the impact of Covid-19 on the economy in Banyumas Regency and its surrounding.

In descriptive research, the researcher does not provide treatment, manipulation or change to the variables under study, but rather describes a condition as it is. The only treatment that is carried out is through observation, interviews and documentation.

### 2.2 Population and Sample

This study uses MSME practitioners in the Banyumas Regency and its surroundings as respondents, or informants in the study. The subjects of this study were MSMEs affected by the COVID-19 Pandemic in Banyumas Regency and its surroundings.

### 2.3 Data Collection Methods

In this study, data were obtained from various sources, using various data collection techniques and carried out continuously. In accordance with the characteristics of the data required in this study, the data collection techniques used were observation, survey and interview.

## 3. Results And Discussion

### 3.1 Socioeconomics and Demographic Characteristics

Socioeconomic and demographic characteristics are essential information to describe socially the current status of MSME in Banyumas regency and the regencies that surround it. The categories including location, business's age, scale of business (yearly revenue), and industry.

#### 3.1.1 Business Location

**Table 1.** Business Location

No	Location	Number of MSME(s)	Percentage (%)
1.	Banyumas	159	43.44262295

2.	Pemalang	16	4.371584699
3.	Banjarnegara	36	9.836065574
4.	Cilacap	51	13.93442623
5.	Kebumen	15	4.098360656
6.	Purbalingga	71	19.3989071
7.	Tegal	7	1.912568306
8.	Brebes	11	3.005464481
	<b>Total</b>	<b>366</b>	<b>100%</b>

The business location of MSME that being the samples of this study are mainly from Banyumas with the number of MSME as much as 159 businesses, followed by Purbalingga with 71 MSMEs and Cilacap with 51 MSMEs. This is followed by 5 (Five) other regencies that summed up to 366 total MSMEs being the samples.

### 3.1.2 Business Age

**Table 2.** MSMEs Business Age

No	Business Age	Number of MSME(s)	Percentage (%)
1.	< 1 Year	30	8.196721311
2.	1-3 Years	98	26.77595628
3.	3-5 Years	54	14.75409836
4.	5-8 Years	41	11.20218579
5.	8-10 Years	30	8.196721311
6.	10-15 Years	49	13.38797814
7.	> 15 Years	64	17.4863388
	<b>Total</b>	<b>366</b>	<b>100%</b>

The business age of MSME that being the samples of this study are mainly the business that has 1-3 years old with the number of MSME as much as 98 businesses, followed by the business that are >15 years with 64 MSMEs. This means that the MSMEs that are being samples is fairly balance because the old and young business number are nearly same in term of number.

### 3.1.3 Scale of Business

**Table 3.** MSMEs Scale of Business

No	Yearly Revenue	Number of MSME(s)	Percentage (%)
1.	< Rp 50.000.000	207	56.55738
2.	Rp 50.000.000 – Rp 150.000.000	79	21.5847
3.	Rp 150.000.000 – Rp 500.000.000	39	0
4.	Rp 500.000.000 – Rp 750.000.000	8	10.65574
5.	Rp 750.000.000 – Rp 1.000.000.000	15	2.185792
6.	> Rp 1.000.000.000	18	4.098361
	<b>Total</b>	<b>366</b>	<b>100%</b>

The scale of business of MSME that being the samples of this study are mainly the business that has <Rp 50.000.000 annual revenue. This means that the MSMEs that are being samples is mostly micro businesses.

### 3.1.4 Type of Industries

**Table 4.** MSMEs Type of Industries

No	Industry	Number of MSME(s)	Percentage (%)
1.	Services	5	1.36612
2.	Wholesale and Retail (Retail)	36	9.836066
3.	Entertainment	1	0.273224
4.	Import	1	0.273224
5.	Financial Services and Insurance	2	0.546448
6.	Manufacturing (Production)	14	3.825137
7.	Building and Construction	4	1.092896
8.	Culinary and Cuisine	35	9.562842
9.	Sports	2	0.546448
10.	Automotive	2	0.546448
11.	Education	1	0.273224
12.	Processing	5	1.36612
13.	Agriculture	13	3.551913
14.	Housing	2	0.546448
15.	Farming	12	3.278689
16.	Fishery	5	1.36612
17.	Information and communication technology	1	0.273224
18.	Travel and Transportation	6	1.639344
19.	Health	1	0.273224
20.	Trade	218	59.56284
	<b>Total</b>	<b>366</b>	<b>100%</b>

The type of industry of MSME that being the samples of this study are mainly from Trading business with the number of MSME as much as 218 businesses, followed by Retail business with 36 MSMEs and Culinary business with 35 MSMEs. This is followed other industries that summed up to 366 total MSMEs being the samples.

## 3.2 Business Operation Activities During Covid-19 Pandemic

### 3.2.1 Business Operation

**Table 5.** MSMEs Business Operations

No	Business Operation Activities	Number of MSME(s)	Percentage (%)
1.	Stopped operating during the Covid-19 Disaster Emergency Response Period in Banyumas Regency	193	52.73224044
2.	Operating during the Covid-19 Disaster Emergency Response Period in Banyumas Regency	173	47.26775956

<b>Total</b>	<b>366</b>	<b>100%</b>
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The business operation of most MSMEs in Banyumas regency and its surrounding has been stopped during Period of Covid-19 Disaster Emergency Response (*Periode Status Tanggap Darurat Bencana Covid-19*). The number of business that stopped its operation are up to 193 MSMEs.

### 3.2.2 Business Activities Stopped

**Table 6.** MSMEs Business Activities Stopped

No	Date of Business Operation Activities Stopped	Number of MSME(s)	Percentage (%)
1.	Beginning of March – End of April 2020	38	10.38251366
2.	Beginning of March – End of May 2020	43	11.74863388
3.	Beginning of March – End of June 2020	49	13.38797814
4.	Beginning of April – End of May 2020	25	6.830601093
5.	Beginning of April – End of June 2020	22	6.010928962
6.	Beginning of May – End of June 2020	16	4.371584699
7.	Not Stopped Operating	173	47.26775956
<b>Total</b>		<b>366</b>	<b>100%</b>

Among the number of business that stopped its operation during Period of Covid-19 Disaster Emergency Response (*Periode Status Tanggap Darurat Bencana Covid-19*), most of them are stopped from the beginning of March until end of June 2020 with 49 number of MSMEs.

### 3.2.3 Estimation of Time Needed to Recover the Business

**Table 7.** Estimation of Time Needed to Recover the Business

No	Time Needed to Recover the Business	Number of MSME(s)	Percentage (%)
1.	1 (One) Month	102	27.86885
2.	1 (One) – 3 (Three) Months	136	37.15847
3.	3 (Three) – 6 (Six) Months	81	22.13115
4.	6 (Six) – 12 (Twelve) Months	40	10.92896
5.	More than 12 (Twelve) Months	7	1.912568
<b>Total</b>		<b>366</b>	<b>100%</b>

Among the number of business in Banyumas regency and its surrounding, 136 MSMEs or most of them are estimating that it will need 1-3 months to recover from the impact of Covid-19. Followed by other 102 MSMEs that estimating that the business will recover in 1 month, and 81 MSMEs that that estimating that the business will recover in 3-6 months.

## 3.3 Business Operation Main Problems

### 3.3.1 Financial Problems

**Table 8.** MSMEs Financial Problems

No	Financial Problems	Number of MSME(s)	Percentage (%)
1.	Staff wages and social security charges	77	21.03825137
2.	Rent	34	9.289617486
3.	Repayment of loans	64	17.4863388
4.	Payments of invoices	60	16.39344262
5.	Other expenses	98	26.77595628
6.	No specific problem	33	9.016393443
<b>Total</b>		<b>366</b>	<b>100%</b>

Among the number of problems related to financial that faced by most MSMEs in Banyumas regency and its surrounding, the most problems comes from other expenses that is unexpected, such as household expenses, health related expenses, and other. The second problem that mostly faced by MSMEs is staff wages and social security expenses. Followed by other 3 main problems which are rent expenses, repayment of loans, and payments of invoices.

### 3.3.2 Other Business Problems

**Table 9.** MSMEs Other Business Problems

No	Other Business Problems	Number of MSME(s)	Percentage (%)
1.	Reduction of orders	176	48.08743169
2.	Inability to deliver existing orders	26	7.103825137
3.	Increased difficulty of financing	44	12.02185792
4.	Existing loans cannot be extended	34	9.289617486
5.	Disruption of logistics	24	6.557377049
6.	Upstream and downstream chain disruptions	41	11.20218579
7.	Insufficient protective equipment (e.g., masks)	21	5.737704918
<b>Total</b>		<b>366</b>	<b>100%</b>

Beside the number of problems related to financial that faced by most MSMEs in Banyumas regency and its surrounding, the problems mostly comes from reduction of orders get by the MSMEs. This is may be because of society purchasing powers that is diminished significantly. This is followed by other 6 other problems which are inability to deliver existing orders, increased difficulty of financing, existing loans cannot be extended, disruption of logistics, upstream and downstream chain disruptions, and insufficient protective equipment (e.g., masks).

## 3.4 Business Operation Proposed Solution

### 3.4.1 Solutions to Solve the Financial Problems

**Table 10.** MSMEs Solutions to Solve the Financial Problems

No	Solutions to Solve the Financial Problems	Number of MSME(s)	Percentage (%)
1.	Loans by commercial banks	75	20.49180328

2.	Loans by Internet finance	5	1.366120219
3.	Loans by microfinance companies	26	7.103825137
4.	Loans by private individuals	59	16.12021858
5.	Negotiating with lenders to avoid withdrawing loans	43	11.74863388
6.	Equity financing (adding new shareholders or capital increase of former shareholders)	12	3.278688525
7.	Reduction of operating costs (e.g. layoffs and salary reductions)	73	19.94535519
8.	No financial problem	73	19.94535519
<b>Total</b>		<b>366</b>	<b>100%</b>

Among the number of solutions related to financial that used by most MSMEs in Banyumas regency and its surrounding, the most solutions used for financial problem is using loans from commercial banks. The second solutions that mostly have to do by MSMEs is by reducing the operation costs. Followed by other 5 main solutions which are loans by Internet finance, loans by microfinance companies, loans by private individuals, negotiating with lenders to avoid withdrawing loans, and equity financing (adding new shareholders or capital increase of former shareholders).

### 3.4.2 Solutions to Solve Employee Problems

**Table 11.** MSMEs Solutions to Solve Employee Problems

No	Solutions to Solve Employee Problems	Number of MSME(s)	Percentage (%)
1.	Giving Overtime bonus	56	15.30054645
2.	Use of advanced equipment or software to reduce the amount of work	45	12.29508197
3.	Outsourcing of orders	51	13.93442623
4.	Delay in delivery	49	13.38797814
5.	No shortage of workers	165	45.08196721
<b>Total</b>		<b>366</b>	<b>100%</b>

Among the number of solutions related to financial that used by most MSMEs in Banyumas regency and its surrounding, the most solutions used for financial problem is using loans from commercial banks. The second solutions that mostly have to do by MSMEs is by reducing the operation costs. Followed by other 3 main solutions which are loans by Internet finance, loans by microfinance companies, loans by private individuals, negotiating with lenders to avoid withdrawing loans, and equity financing (adding new shareholders or capital increase of former shareholders).

### 3.4.3 Solutions to Solve Raw Material Problems

**Table 12.** MSMEs Solutions to Solve Raw Material Problems

No	Solutions to Solve the Raw Material Problems	Number of MSME(s)	Percentage (%)
1.	Reduction of production	102	27.86885246



2.	Outsourcing orders	36	9.836065574
3.	Seeking new procurement channels	84	22.95081967
4.	Delaying goods delivery	38	10.38251366
5.	No shortage of raw materials	106	28.96174863
<b>Total</b>		<b>366</b>	<b>100%</b>

Among the number of solutions related to raw material that used by most MSMEs in Banyumas regency and its surrounding, the most solutions used for raw material problem is by reducing number of production. The second solutions that mostly have to do by MSMEs is by seeking new procurement channel. Followed by other 2 other solutions which are Outsourcing orders and Delaying goods delivery.

#### 3.4.4 The Most Effective Solutions and Expectations for Government Policy

**Table 13.** The Most Effective Solutions and Expectations for Government Policy

No	Expectations for Government Policy	Number of MSME(s)	Percentage (%)
1.	Provision of Social Assistance (For example, Reduction of Electricity Costs, Cash Social Assistance, and so on)	144	39.3442623
2.	Tax Rate Reduction, and Reduction or Deferment of Tax	60	16.39344262
3.	Providing Credit Relief for MSMEs in the Form of Credit Relaxation and Restructuring	91	24.86338798
4.	Stimulus of Working Capital Assistance	71	19.3989071
<b>Total</b>		<b>366</b>	<b>100%</b>

Among the number of solutions that are expected from the MSMEs to be accommodated by the government policy, the most needed policy is the provision of social assistance (for example, reduction of electricity costs, cash social assistance, and so on). This is followed by the need for providing credit relief for MSMEs in the form of credit relaxation and restructuring, tax rate reduction, and reduction or deferment of tax, and stimulus of working capital assistance.

This results imply that government should focus more of provision of social assistance, such as reduction of electricity costs, cash social assistance, etc. This is because, the MSMEs practitioner's household economy and the business itself cannot be separated. So their problem is not only in how the survive the business, but also the how they survive their lives. So this is may be could be the focus for the government to facilitate this issue.

## 4. Conclusions

This study tries to determine how the impact of the Covid-19 pandemic on the economic conditions of MSME businesses in Banyumas regency and its surroundings and formulate policy strategies that can be done to mitigate this condition. The urgency of this research is to

improve economic stability in Banyumas Regency, through the formulation of strategies for empowering MSMEs in Banyumas Regency.

Among a number of solutions that are expected for MSMEs to be accommodated by government policies, the most needed policy is the provision of social assistance (for example reducing electricity costs, social cash assistance, and so on). This is followed by the need to provide credit relief for MSMEs in the form of relaxation and credit restructuring, lowering tax rates, tax reduction or deferral, and stimulus for working capital assistance.

This result implies that the government should focus more on providing social assistance, such as reducing electricity costs, cash social assistance, etc. This is because the household economy of MSME practitioners and the business world itself cannot be separated. So their problem is not only how to stay in business, but also how to survive. So maybe this is what the government can focus on to facilitate this problem.

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