

# Collaboration Strengthening among Micro, Small and Medium Enterprises (MSME) in Central Java during Covid-19

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**Abstract.** MSME as one of the fields that provides a significant contribution in spurring Indonesia's economic growth is one of the government's concerns as a Covid-19 pandemic in Indonesia. One of the government policies is directed at handling economic impacts, especially in keeping the regional business community alive, among others through empowering micro, small and medium enterprises, and cooperatives in the context of restoring and stimulating the economy in the regions. The purpose this research was to analyze the strategy for strengthening MSMEs in Central Java during Covid-19. This research uses descriptive qualitative approach. The results show that there are some impacts of the Covid-19 pandemic for MSMEs including marketing, financing and raw material aspects. For this reason, policies and efforts need to be made, assuredly it must be fast, precise and out of the box. The activities carried out certainly will not succeed if done alone. Collaboration in Penta helix between academics, business, government, communities and medias is very necessary for the achievement of policy objectives to overcome the impact of Covid-19 on MSMEs.

**Keywords:** MSME, Strategy, Collaboration, Strengthening, Covid-19

## 1 Introduction

Central Java Province as one of the provinces in Indonesia with a population of approximately 33.75 million, has a fairly high MSME of 4.174.210 units. This certainly requires more serious efforts in Central Java Province in order to manage MSMEs to be able to make a positive contribution to the national and regional economy, and to improve the welfare of the community. The seriousness of Central Java Province is shown by the issuance of the Central Java Province Regulation Number 13 of 2013 concerning Empowerment of MSMEs.

The amount of interest of the people of Central Java Province to develop the potential of their regions through MSMEs is also supported by the government of Central Java Province. This can be seen from one of the missions of Central Java Province 2018-2023 namely strengthening the economic capacity of the people's economy and expanding employment to reduce poverty and unemployment. One of the manifestations of this mission is to strengthen MSMEs in Central Java (Source: RPJMD of Central Java Province for the Period 2018-2023).

Beginning in 2020, the world is not doing well because of the Corona virus pandemic (Covid-19). Corona virus that has attacked more than 180 countries declared as a 'public health

emergency' by the World Health Organization (WHO). Corona virus is determined as a global health emergency, showing developments in terms of recent cases or deaths due to Covid-19 (www.liputan6.com accessed March 27, 2020, 12.30 WIB). Although Indonesia is not among the 10 countries that have the largest cases, the fact is that in Indonesia the number of Covid-19 cases is increasing significantly every day.

In the midst of an outbreak, Indonesian President Joko Widodo gave direction to a limited meeting on the theme of the Monetary Policy and Economic Impact of the Global Pandemic Covid-19 through a convergence which contained, firstly in the health sector especially in Covid-19 control efforts. Second social safety net. Third is related to economic incentives for businesses and MSMEs.

This virus does have many impacts on all sectors, including the economic sector, especially MSMEs. The MSME sector will be affected by Covid-19, this sector is called by economists can no longer be an economic buffer as during the economic and financial crises of 1998 and 2008. When Indonesia experienced a monetary crisis in 1998, MSMEs became the national economic buffer. Absorbing labor, and driving the economy. While in 2008 during the global financial crisis, MSMEs remained strong in sustaining the economy. Senior Institute for Development of Economic and Finance (INDEF) economist, Enny Sri Hartati, said that the MSME sector could not resist the crisis caused by Covid-19. This is because a very different forms of crisis. For this reason, proper government attention and policy is needed to empower MSMEs from the impact of Covid-19.

The spread of Covid-19 has the potential to have an economic impact on the sustainability of micro, small and medium enterprises (MSMEs). To map the impact of Covid-19 on MSME, Cooperatives SME Office divides by type of MSME. Cooperative SME Office explained that the top 3 MSMEs sectors that were most affected by the Covid-19 pandemic were 65.82% food and beverages or 12,637 out of the total number of affected MSMEs in Central Java as many as 19,200, followed by the fashion sector at 1,816 with a percentage of 9.46%, trade at 1,562 MSMEs or 8.14%, followed by the service sector, agriculture and animal husbandry, handicraft and other sectors.

While the problems faced by MSMEs affected by Covid-19 in Central Java Province, it is described that the number of MSMEs affected was 19,200. Out of a total of 10,756 or 56% experiencing marketing constraints as a result of the Covid-19 pandemic. Then 26.32% complained about constraints on financing, 121.75% faced other problems, 5.06% had difficulty obtaining raw materials and by 0.85% experienced production problems.

Indonesia has issued many policies to help alleviate businesses in dealing with the negative effects of the Corona Virus that spreads almost everywhere in the world. In accordance with the mandate of Government Regulation in Lieu of Law Number 1 Year 2020 concerning State Money Policy and Financial System Stability for Handling Pandemic Covid-19 the government established a Joint Decree (SKB) of the Minister of Home Affairs and the Minister of Finance regarding the Acceleration of the Adjustment of the Regional Budget for the 2020 Regional Revenue and Expenditure in the framework of Handling Corona Virus Disease 2019 (Covid-19), as well as safeguarding the purchasing power of the community and the social economy, it provides little fresh air for MSMEs. The SKB states that the difference between the budget for adjusting regional income and spending adjustments is used to fund one of them to handle economic impacts, especially to keep the regional business community alive, among others through empowering micro, small and medium businesses, and cooperatives in order to restore and stimulate the economy in area.

A strategic approach is needed to develop MSMEs by involving the participation of various parties for the realization of MSMEs empowerment as one of handling the economic

impacts of the Covid-19 pandemic. The MSMEs empowerment program is related to various sectors in the business processes that are carried out, so that it requires the role of various stakeholders. The success of the MSMEs development program depends on how the government can collaborate with various stakeholders in order to manifest the progress and sustainability of MSMEs in the future.

Based on the phenomenon of the problems that have been described above, it is necessary to synergize and strengthen good capacity with stakeholders to accelerate the development of MSMEs in Central Java as an impact of Covid-19. The success of the MSMEs development program in improving sustainability and competitiveness depends on the synergy and coordination of various parties. The development of MSMEs has an impact on the regional economy. The strategy of the government together with the stakeholders needs to be pursued even more conducive to the growth and development of MSMEs in Central Java. Based on the background as explained earlier, then what strategies need to be carried out by the Cooperative, Small and Medium Office of Central Java Province so that MSMEs can survive and have strong immunity during the Covid-19 pandemic.

### **1.1 Goals**

The purpose this research was to analyze the strategy for strengthening MSMEs in Central Java during Covid-19.

### **1.2 Theory**

One concept that connects local government capacity with community-oriented development is Eade [1] which states that capacity development is basically an organizational characteristic associated with participation, empowerment, civil society and public participation. Accordingly, Eade as well as Grindle mentioned that there were three main strategies in capacity building, namely: (1) organizational and management strengthening; (2) provision of resources and infrastructure advice (3) network. This opinion was reinforced by Edralin [2] who gave an explanation of capacity development similar to Eade, but added to five main strategies, namely: (1) organizational and management strengthening; (2) provision of resources and infrastructure advice (3) network; (4) environment and; (5) fiscal capabilities and program.

### **1.3 Method**

This study uses a descriptive qualitative approach where this research is a study that looks at phenomena that occur with the aim of describing short-term programs and collaboration between stakeholders so that MSMEs can survive the Covid-19 emergency response period. The number of informants here can be small or a lot depending from developments in the field. Key informants in this study are Head of the Cooperatives, SMEs Office of Central Java Province. The type of data used by researchers are secondary data and data primary. Data collection techniques used by Researchers are interviews and observation.

## 2 Discussion

### 2.1 Conditions of MSMEs in Central Java Province

The condition of the Central Java MSMEs that was affected by the Covid-19 pandemic was the biggest food and beverage sector and the toughest problem in the marketing sector.



**Fig. 1.** Conditions of MSMEs in Central Java Province.

Based on the data above, it can be described as follows:

- a) **Quadrant I: Cannot Produce and Cannot Market**  
It means that MSMEs do not have the ability to produce either constrained by raw materials that are difficult to obtain or expensive, financing or capital factors, human resources and equipment, and do not have the ability to market either from internal problems or because the market is not in need of the product of that MSME. For MSMEs in this quadrant it needs to be directed to the social safety net, through direct cash assistance from the government or included in pre-work cards.
- b) **Quadrant II: Can Produce but Cannot Market**  
MSMEs in this quadrant do not have a problem in terms of production, both raw materials, capital, and human resources and equipment, only because of social constraints, limited selling abilities of MSMEs themselves, plus the presence of mindset and buyer behavior that shifts want to be faster and more practical, thus that this MSME is constrained in terms of marketing. The most possible intervention is to help and introduce online and offline marketing systems.
- c) **Quadrant III: Cannot Produce but Can Market**  
Quadrant III is to be unique because the SMEs are no longer able to produce but can market. Unable to produce here can mean constrained in raw materials, capital and human resources and equipment such as quadrant I, but the MSME can still market both similar products from other MSMEs that can still produce and other products that are different from the original MSME production. Of course, this proves that the MSME has a network, is smart in utilizing technology and has good selling ability. The intervention that can be done is to provide a stimulus so that the MSME can produce again, and also assistance in terms of marketing thus that it can help MSMEs of the same type of production goods continue to sell well in the community.
- d) **Quadrant IV: Can Produce and Can Market**  
MSMEs in this quadrant are expected to provide motivation, encouragement and guidance to MSMEs in the vicinity so that they are motivated to keep on trying, share

knowledge and marketing tips, and can invite other MSMEs who intend to diversify their businesses to join the MSME groups whose products are still selling in the market.

## **2.2 Strategy for Strengthening MSMEs when the Covid-19 Pandemic**

Based on the Central Java Province Regulation No. 9 of 2016 concerning the Formation and Composition of the Central Java Province and the Central Java Governor Regulation No. 71 of 2016 concerning the Organization and Work Procedures of the Cooperatives, Small and Medium Enterprises Office of Central Java Province, it is explained that the Office of Cooperative, Small Business and Medium-sized businesses have the task of assisting the Governor in carrying out governmental affairs in the fields of Cooperatives, small and medium-sized businesses which are the authority of the regions and the task of assistance assigned to the regions.

In terms of handling MSMEs affected by Covid-19, according to their main tasks and functions of the Cooperative SMEs Office is the leading sector in their handling. The challenge is how to move all components so that they can participate in the handling of MSMEs affected by Covid-19 so that interventions are more effective. From the results of searches in the field, it was obtained data that in Central Java Province was implementing a budget refocusing (shifting) policy and also rationalization of all budgets in the regional apparatus used to finance the handling of Covid-19 through the Unexpected Expenditure (BTT) budget mechanism. This refocusing and rationalization is used for health, social safety nets and economic safety nets. In accordance with the main tasks and functions, the Cooperative, Small and Medium Office of Central Java Province received the task of being one of the regional apparatuses implementing the economic safety net.

The economic safety net program carried out by the Cooperative, Small and Medium Office of Central Java Province is directed to support MSMEs affected by Covid-19 in the four quadrants. In this paper we will discuss during the Covid-19 emergency date, which is programs and activities carried out between May-July 2020. Programs and activities carried out and which support the strengthening of MSMEs in quadrants, the results of information from the Cooperative SME Office of Central Java Province in detail can be delivered as follows:

a) **Quadrant I: Cannot produce and cannot market**

Through the activities of mentoring services and protection of MSME products by mobilizing all the post-training assistants, facilitators of Integrated Business Service Centers (PLUT) and Field Cooperative Extension Officers (PPKL), in addition to register data, they also facilitate MSMEs that are not included in the Integrated Database (BDS) and facilitate registration on pre-work cards. The Cooperative SME Office in the Regencies/Cities were also asked to open a pre-work card service post, and by the end of May 2020 it had entered Wave 3 and 4 with the number of SMEs that had been facilitated as many as 3,557.

b) **Quadrant II: Can Produce but Cannot Market**

The main problem is on the marketing side so that the goods produced could be sold, so that intervention is needed on how to grow the skills and abilities of MSMEs to be more creative and able to market their products. In the capacity building activities and work skills in the environment of the tobacco products industry and/or areas producing tobacco raw materials of the tobacco products industry, which in this case is translated into vocational and managerial training, is carried out online in May-July 2020 in the

form of webinars, online courses, WhatsApp talks and also making online training video tutorials.

In the implementation, all elements in Penta helix were involved, both academics, the business community of the local government, the community and the media. The role of all stakeholder components in Penta helix is in the form of resources, moderators, implementers, facilitators and also the media to disseminate the subject matter being discussed so that all MSMEs in Central Java can learn together. Everything that is done completely uses digitization, which at the same time forces MSMEs to be literate in information technology and able to dive into the era of the industrial revolution 4.0.

Besides that, there were masks made activities as much 2.6 million masks, this is one of the policies of the Cooperatives, SMEs Office of Central Java Provinces as a breath of fresh air especially for MSMEs in the fashion/sewing sector so that they can continue to earn revenue during this Covid-19. Where the making of this mask will also be distributed to the community as one of the assistances from the Government of Central Java Province. The MSMEs sewing/fashion sector is the second largest sector in Central Java affected by Covid-19. Collaboration conducted through this activity is between the Provincial Government, Regencies/Cities Government, MSME community who sell fabrics in the area and the MSME sewing/fashion community.

c) Quadrant III: Cannot Produce but Can Market

Activities undertaken are to provide social assistance for the purchase of raw materials for production: flour, sugar, oil/butter, eggs to 3,500 food MSMEs, thus this sector is the largest sector affected by Covid-19. In the implementation of the distribution and purchase of raw materials for social assistance, it cooperates with the Regencies/Cities Cooperative MSME Office to curate which MSMEs will be assisted, PT. Bulog of Central Java, PT. Sampoerna Foundation as the supervisor of the Sampoerna Retail Community (SRC), a grocery store community that is incorporated in the SRC. This proves that there is a good collaboration between government, business, and the community for the smooth distribution of social assistance to MSMEs to be able to help and/or reproduce their businesses.

d) Quadrant IV: Can Produce and Can Market

Mainly there are actually no problems related to this quadrant, even in the activities carried out by the Cooperative SME Office of Central Java Province, even those in this quadrant can participate as mentors or facilitators and companions. Even facilitated so that they can talk about existing immunity so that they are able to survive through online media carried out by the Cooperatives, SMEs Office of Central Java Province.

### 3 Conclusion

At present, many of the Local Governments are still confused in establishing suitable program policies and activities during the Covid-19 pandemic, even though after the emergency response period has passed there will still be a transition and recovery phase. Some of the impacts of the Covid-19 pandemic that will be relatively similar across regions include marketing, financing and raw material aspects. The distribution of affected MSMEs will lead to the 4 quadrants as explained above. For this reason, policies and efforts need to be made which must be fast, precise and out of the box. Design activities that might have never been done before and / or design activities that will directly have a direct and large enough impact that makes MSMEs survive. Staying here can be a stimulus so that MSMEs continue to be

motivated to try, always think innovative and creative and also independently create immunity to be resilient during the pandemic Covid-19.

The Central Java Provincial Government through Cooperatives, SMEs Office of Central Java Province as the Regional Ranking Organization that has the task of taking care of MSME affairs has several strategies for strengthening MSMEs during the Covid-19 pandemic including: (1) Through the activities of supporting services and protection of MSME products by mobilizing all post-training mentors, companion of Integrated Business Service Centers (PLUT) and Field Cooperative Extension Officers (PPKL), in addition to register data, they also facilitate SMEs that have not been included in the Integrated Database (BDS); (2) vocational and managerial training, implemented online in May-July 2020 in the form of webinars, online courses, WhatsApp talks and also making online training video tutorials; (3) providing social assistance for purchasing raw materials for production. In the implementation of the strategy to strengthen MSMEs in Central Java Province, it seems that they have not run to the Penta helix collaboration. This can be seen from each stakeholder has not carried out their role optimally, there are even some stakeholders who are not involved in its implementation.

In order to optimize the use of Penta helix model for strengthening MSMEs during the Covid-19 pandemic in Central Java Province, it is necessary to strengthen the institutional capacity of Cooperatives, SMEs Office of Central Java Provinces as the main actor playing an important role in this implementation. The activities carried out certainly won't be succeed if done alone, other stakeholders need to be coupled with so that the activities carried out can be effective, efficient, right on target, and faster. Collaboration in the Penta helix between academics, business, government, communities and the media are very necessary to do.

## References

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