THE DEVELOPMENT STRATEGY OF MSME IN INDONESIA IN THE PANDEMIC TIME OF COVID-19

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ABSTRACT:

Micro, Small and Medium Enterprises (MSME) are one of the business units that play an important role in the growth and development of the economy in Indonesia. MSME are also one of the supporters of the economy in Indonesia, especially in the lower and middle class communities. MSME have a strategic role in the government's efforts to overcome poverty and unemployment, because MSME can absorb labor so that unemployment due to not being absorbed by the workforce in the world of work is reduced. At the beginning of 2020, the COVID-19 pandemic attack has sparked negative sentiment towards various business lines, especially the MSME business. The negative impact due to the COVID-19 pandemic has hampered the growth of MSME. Indonesia, which is dominated by MSME as the backbone of the national economy, is affected by the COVID-19 pandemic, not only in the aspects of production and income, but also in the number of workers that must be reduced and others. MSME lack resilience and flexibility in dealing with the COVID-19 pandemic due to several things such as the low level of digitization, difficulties in accessing technology and lack of understanding of survival strategies in business.

Keywords: Micro, Small and Medium Enterprises (MSME), COVID-19 Pandemic, E-commerce.

I. INTRODUCTION

At the beginning of 2020, the COVID-19 pandemic attack has sparked negative sentiment towards various business lines, especially the MSME business. The negative impact due to the COVID-19 pandemic has hampered the growth of MSME. Indonesia, which is dominated by MSME as the backbone of the national economy, is affected by the COVID-19 pandemic, not only in the aspects of production and income, but also in the number of workers that must be reduced and others. MSME lack resilience and flexibility in dealing with the COVID-19 pandemic due to several things such as the low level of digitization, difficulties in accessing technology and lack of understanding of survival strategies in business. MSME have a strategic role in the government's efforts to overcome poverty and unemployment, because MSME can absorb labor so that unemployment due to not being absorbed by the workforce in the world of work is reduced. The huge waves caused by the pandemic have in fact greatly affected the country’s economic conditions. There have also been many businesses that have collapsed and were forced to go out of business due to the decline in income caused by the pandemic. All business sectors, of course, are trying to maintain their economic conditions, especially the MSME sector.

Based on the World Economic Outlook report released in April 2020 by the IMF, world economic conditions are predicted to decline by minus 3% this year. This is of course scary, especially for business people. With the presence of conditions like this, it seems that it requires business people, both large and MSME to rack their brains to find solutions to survive and also adapt to current conditions.
II. DISCUSSION

According to Chapter II Article 4 of Law Number 20 of 2008 concerning MSME, the principles of empowering MSME are as follows:

a. Developing the independence, togetherness and entrepreneurship of MSME to work on their own initiative.
b. Regional potential-based and market-oriented business development in accordance with the competencies of MSME.
c. Realizing transparent, accountable and just public policies.
d. Increasing the competitiveness of MSME.
e. Implementation of planning, implementation and control in an integrated manner.

Some of the roles of MSME in the economy in Indonesia are as follows:

a. The Role of MSME to Level the Economy

The presence of MSME is considered capable of flattening the economy in various remote areas so that prosperity can be achieved. People in remote areas can fulfill their needs without visiting big cities. Moreover, the total number of MSME in Indonesia reaches 99.9% of the total business units in Indonesia, so that MSME have a big role in contributing to an even economy in Indonesia.

b. The Role of MSME to Reduce Poverty

MSME provide opportunities for business actors to open new jobs. High labor absorption can reduce poverty, thereby reducing the unemployment rate in Indonesia. From the MSME data held by the Ministry of Cooperatives and Small and Medium Enterprises, the growth rate of MSME players always increases from year to year. For example, in 2018, MSME were able to absorb a workforce of approximately 120 million people. This shows a good signal for the workforce as opportunities are increasingly opening up.

c. The Role of MSME in Providing Foreign Exchange

Small, micro and medium enterprises in Indonesia are considered capable of contributing foreign exchange to the country. The sources of foreign exchange include the export of goods and services to other countries and the presence of foreign tourists shopping domestically.

MSME business opportunities are endless even though the COVID-19 pandemic has had a negative impact on the development of MSME. The development of MSME, which are now digital-based and so easily accessible, has triggered many economic movements in various remote areas. Currently, the potential of the creative industry has very promising prospects and opportunities. If there are many creative industries that are continuously explored and improved by MSME, the absorption capacity of the economy will be evenly distributed and have high absorption capacity so that it will increase economic prosperity in the area and will create new jobs in order to overcome poverty.

MSME have the opportunity to grow during the COVID-19 pandemic by digitizing and changing the business that is carried out according to market needs. In a pandemic like this, MSME players must be able to respond to changes in consumer behavior and patterns as a result of the COVID-19 pandemic. The COVID-19 pandemic has triggered a change in consumer behavior where in conditions like today consumers prefer to shop online.

The large-scale social restrictions (PSBB) that have been implemented by the government during the COVID-19 pandemic should be used as an opportunity to make online sales. In March 2020, the Bank Indonesia Payment System Policy Department noted that purchase transactions through four electronic trades in Indonesia increased by 18.1% to 98.3 million transactions. The total transaction value for this purchase also grew by 9.9% to 20.9 trillion. The largest increase in transactions were transactions for primary needs, namely food and beverages (52%), school supplies (34%) and personal care, such as hand sanitizers and masks (29%).

Changes in consumer behavior by limiting physical interactions and reducing activities carried out outside the home due to the implementation of Large-Scale Social Restrictions (PSBB). This certainly provides a great opportunity for MSME players, especially MSME who are already connected to the digital ecosystem to survive or even
progress or develop in the midst of the COVID-19 pandemic. The current conditions in the midst of the COVID-19 pandemic are the right momentum for Indonesia to accelerate the digitization of MSME.

In the midst of the COVID-19 pandemic like today, MSME players must be able to innovate and take advantage of online marketing and sales channels to maintain business continuity. In addition, MSME players must also be able to rearrange their business strategies. Under current conditions, MSME need to make adjustments in terms of products and carry out several marketing strategies to survive. There are several things that can be done by MSME, including opening new product lines and updating existing marketing systems, because businesses that can survive are businesses that are responsive to environmental changes. Several things that can be done by MSME, namely:

a) E-commerce

In the midst of the COVID-19 pandemic, direct sales generally have decreased due to the implementation of PSBB so that people prefer to stay at home. Responding to this, one way that can be done is by expanding the network by taking advantage of e-commerce sales so that MSME can still run a business and reach many consumers and expand market share.

In the era of the industrial revolution 4.0, MSME business actors should indeed move to trade in e-commerce because the spending patterns of consumers have shifted, coupled with the COVID-19 pandemic which makes e-commerce trade the right choice for MSME players to survive and even have the potential to be able to reach a larger share of the new market.

b) Digital Marketing

The COVID-19 pandemic has caused a reduction in the number of consumers in several sectors and industries, this requires MSME players to be able to market their products optimally and think of creative and innovative ideas. The more rapid development of the digital era as it is today is impossible to avoid. Especially during the COVID-19 pandemic like today, if you want to survive, then MSME must be able to maximize the benefits of digital development.

There are several forms of digital marketing that can be done by MSME to be able to do product marketing, namely as follows:

- Intensively publishing product videos and photos on social media. The use of social media needs to be adjusted to the product segment that is owned.
- Make marketing product videos that will later be broadcast through social media or do live product promotions. This strategy, if done correctly, will have a positive effect on the business being undertaken.
- Involve consumers in product selection, conduct education and introduction to product quality intensively on social media accounts. With this, brand awareness will be formed and can influence consumer purchasing decisions.

In doing digital marketing, MSME players are required to always learn and think openly to increasingly developing technology. Of course, digital marketing also considers using suitable media and the right way of communication that is tailored to the selected segment or market share. So that marketing will be more effective and not wrong target.

c) Improving the Quality of Products and Services

In the midst of the COVID-19 pandemic, consumers are certainly becoming more careful in using goods and services, causing a decrease in consumer confidence in the goods and services being traded. In addition, the limitations of consumers in making direct purchases also have an impact on significantly reducing the number of consumer purchases. For this reason, MSME players must improve product quality in order to increase consumer confidence and intensively communicate product quality. It is very important for MSME to make regular improvements to product quality by adjusting the needs, wants and expectations of consumers.

In addition to improving product quality, MSME players can also improve service quality and add types of services such as delivery orders and online purchase services and by using special sales service hotlines that can be easily accessed by consumers. In providing delivery services, business actors must further tighten their service standards
by improving and ensuring the cleanliness of their products. For services, services can be developed through online media and using online service activities so that they can be more effective and business can run as usual. Good service will be able to form consumer trust so that it can create satisfaction and shape consumer loyalty. During the COVID-19 pandemic like today, consumer trust is an important factor in business continuity.

d) Customer Relationship Marketing (CRM)

SMEs should not only focus on capturing new customers but also must maintain products and maintain existing customers and create customer satisfaction to create customer loyalty. Loyal customers will not move to other manufacturers because they already have confidence in the product. One way for MSME to survive in the midst of a decline in business activity is by doing customer relationship marketing. Customer relationship marketing is a marketing strategy concept that seeks to establish long-term relationships with customers, namely maintaining a strong and mutually beneficial relationship between service providers and customers that can build repeat transactions and create customer loyalty.

In current conditions, establishing marketing relationships with customers can be done by showing concern for consumers who are experiencing difficulties during COVID-19. Business actors can show concern which is also aimed at marketing their products.

e) Take Advantage of Delivery Services

Based on the results of Nielsen's research entitled "Understanding The Online Food Delivery Market and GoFood's Leadership in Indonesia" regarding the habits of big city people towards delivery services, the results are from 1,000 respondents, 95% of whom have bought food through delivery services in the last three months.

Delivery services are now becoming the prima donna in the MSME business in the culinary field. Especially in the midst of a pandemic like this time, which prohibits people from dine in to restaurants and cafes, making people choose to order food via a delivery service as a solution to fulfill their wishes.

Registering a culinary business with delivery services such as GoFood and GrabFood is not difficult, you just need to download their application which is specifically intended for business people, then fill in your personal data along with information about the business they own.

f) Create a Chatbot for Business

Creating a chatbot service for MSME businesses can certainly be done as a way to increase business efficiency during a pandemic. Chatbots can do various things, from providing customer service at any time to sharing information about promotions, which of course can increase consumer interest.

Vutura is here to realize the dream of MSME to go digital and increase the effectiveness of customer service by using chatbots.

III. CONCLUSION

There are several strategies that can be implemented by MSME to be able to maintain their business, namely

1. selling through e-commerce.
2. Marketing products by utilizing digital technology (digital marketing).
3. make improvements to product quality and quality and type of service.

Suggestions that can be recommended are that MSME actors must have a strategy or implement a strategy that has been described in order to survive in the midst of this pandemic and are required to be able to adapt to the conditions that occur, so that they can turn existing challenges into opportunities. Because the MSME that can survive are those that are responsive to changes in the environment and are able to adapt both in terms of products, marketing and sales systems as well as the use of technology that supports business. In addition, there needs to be support or encouragement from the government in realizing the development of MSME in the midst of the COVID-19 pandemic.
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