

MSME Center Development Model to Support Economic Sustainability during the Covid-19 Pandemic

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Abstract: This article raises the issue of developing the UMKM Center which is expected to be one of the drivers of economic growth. Where 99% of the businesses that drive the Indonesian economy are MSMEs. The purpose of this paper is to create a model for developing the MSME Center in order to support economic sustainability during the Covid-19 pandemic. The results of this paper show that the MSME Center development model is made in such a way as to connect all related parties such as MSMEs, Communities, Government, BUMN and universities. Not only connecting these parties, but also clarifying the duties of each party and optimizing the MSME development program. If this model can run well, it is expected that it will improve economic conditions during the Covid-19 pandemic.

Keywords: Economy; MSMEs; MSME Centre

1. Introduction

The Covid-19 pandemic has become a phenomenon that has had a major impact on all aspects of life. Health, social, cultural, political and economic aspects of course. This influence is perceived especially in terms of economic growth in Indonesia. Economic growth is an effort to increase production capacity to achieve additional output, which is measured using Gross Domestic Product (GDP) and Gross Regional Domestic Product (GRDP) in a region.¹In other words, economic growth is the process of increasing output per capita in the long run. The points are in three aspects, namely: process, output per capita and long term. So it can be concluded that economic growth is a process, not an economic picture at a time.

¹Adisasmita, Rahardjo. (2013). *Teori-Teori Pembangunan Ekonomi, Pertumbuhan Ekonomi dan Pertumbuhan wilayah*, cetakan pertama, Graha Ilmu, Yogyakarta,, hlm. 4.

Indonesia's economic growth had reached its lowest point, from the first quarter of 2020 of 2.97% to -5.32% in the second quarter of 2020.² In addition to slumping economic growth, even in 2020 the unemployment rate also increased by 2.92 to 5.23 million new unemployed people, the number of poor people increased by 1.16 to 3.78 million new poor people, even the debt ratio increased which initially 28% of GDP in 2019, to 31.4% of projected 2020 GDP.³

One of the sectors that was most affected by Covid-19 pandemic was micro, small and medium enterprises (MSMEs), which also resulted in a decline in the national economy. MSMEs According to the Law of the Republic of Indonesia No. 20 of 2008 concerning MSMEs, they are divided into several definitions according to the criteria, namely;

- a) Micro-enterprises are business units that have assets of at most Rp. 50 million excluding land and buildings for business premises with annual sales of at most Rp. 300 million.
- b) Small business with asset value of more than Rp. 50 million up to a maximum of Rp.500 million excluding land and buildings where the business has annual sales of more than Rp.300 million up to a maximum of Rp.2,500,000, and.
- c) Medium business is a company with a net worth of more than Rp. 500 million up to a maximum of Rp. 100 billion with annual sales of above Rp. 2.5 billion to a maximum of Rp. 50 billion.⁴

MSMEs are also defined as stand-alone productive business units, which are carried out by individuals or business entities in all economic sectors. In principle, the distinction between Micro Enterprises (UMI), Small Enterprises (UK), Medium Enterprises (UM), and Large Enterprises (UB) is generally based on the initial asset value (excluding land and buildings), average annual turnover, or number of permanent employees.⁵

²Badan Pusat Statistik. (2021). *Ekonomi Indonesia Triwulan 1-2021 turun 0,74 persen (y-on-y)*. Available online from : <https://www.bps.go.id/pressrelease/2021/05/05/1812/ekonomi-indonesia-triwulan-i-2021-turun-0-74-persen--y-on-y-.html>. [Accessed September 11, 2021].

³Kata data. (2020). *Ancaman Krisis Ekonomi Akibat Covid-19*. Available online from: <https://katadata.co.id/ariayudhistira/infografik/5eabcf2d30d00/ancaman-krisis-ekonomi-akibat-covid-19>. [Accessed September 11, 2021].

⁴Undang-Undang Nomor 20 Tahun 2008 tentang Usaha Mikro Kecil dan Menengah (UMKM), Bab IV pasal 6.

⁵ Tambunan, Tulus. (2012). *Usaha Mikro Kecil dan Menengah di Indonesia: Isu-Isu Penting*, (Jakarta: LP3ES), hal. 11.

MSMEs have a very large contribution to the national economy. not only do these business groups absorb the most labor compared to large businesses (UB), as is the case in developing countries, but also their contribution to the formation or growth of gross domestic product (GDP) is the largest compared to the contribution of large businesses.⁶

In general, SMEs in the national economy have the following roles:

1. as a major actor in economic activity,
2. largest employer,
3. important player in local economic development and community empowerment,
4. creators of new markets and sources of innovation, as well as
5. contribution to the balance of payments.⁷

Therefore, the empowerment must be carried out in a structured and sustainable manner, with the direction of increasing productivity and competitiveness, as well as growing strong new entrepreneurs.

Based on BPS data, the number of MSME actors in Indonesia is 64.2 million or 99.99% of the total number of business actors in Indonesia. In addition, according to the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop and UKM), the labor absorption capacity of MSMEs can also be said to be high because it can absorb up to 119 million workers or 97% of the labor absorption capacity of the business world. Based on these data, it is known that Indonesia has the potential of a strong national economic base due to the large number of MSMEs, especially micro-enterprises and the very large absorption capacity of labor.⁸

However, during this Covid-19 Pandemic, MSMEs, which are the key to the economy in Indonesia and the largest absorber of labor, have fallen. According to the Ministry of Cooperatives and MSMEs, MSME problems during the Covid-19 pandemic, the decline in MSME business turnover was 23.10%, distribution was hampered by 19.50% and capital constraints were 19.45%. Especially in relation to Go Digital SMEs. Many MSMEs are still focused on offline business, so during the Covid-19 pandemic, they are forced to change. In May 2021, according to data from the Indonesian E-Commerce

⁶Tambunan, Tulus. (2012). *Usaha Mikro Kecil dan Menengah di Indonesia: Isu-Isu Penting*, (Jakarta: LP3ES), hal. 1.

⁷Departemen Koperasi. (2008). *PDB, Investasi, Tenaga Kerja, Nilai Ekspor UKM di Indonesia*. Depkop. Jakarta.

⁸Kemenkop dan ukm. (2020). *UMKM Bangkit Ekonomi Indonesia kian naik*. Available online from : <https://www.medcom.id/foto/grafis/5b2mEY6N-umkm-bangkit-ekonomi-indonesia-kian-naik>. [Accessed September 11, 2021].

Association, there were already 13.7 million MSMEs already incorporated in the digital ecosystem, or only 21% of the total target.⁹

All of the conditions described above serve as the background that Indonesia must find ways to improve the condition of MSMEs, one of which is by developing MSME Centers to support economic sustainability during the Covid-19 Pandemic.

2. Method

This study uses a qualitative descriptive approach, Bogdan and Taylor in Moleong, 2007 define qualitative methodology as a research procedure that produces descriptive data in the form of written or spoken words from people and observed behavior. In addition, qualitative research is research that intends to understand the phenomena of what is experienced by research subjects holistically, and by means of descriptions in the form of words and language, in a special natural context and by utilizing various scientific methods.¹⁰

While descriptive research is research that seeks to describe the current problem solving based on data. Descriptive research guides researchers to explore and or photograph social situations that will be studied thoroughly, broadly and deeply.¹¹ So this qualitative descriptive study aims to describe the phenomena experienced by research subjects at this time holistically. In it there are attempts to describe, record, analyze, and interpret conditions that are currently happening or exist. In other words, this qualitative descriptive study aims to obtain information about the existing situation. The data in this study were obtained from observations and literature studies.

3. Results and Discussion

So far, the management of MSMEs has not been coordinated and centralized. All parties related to the management of MSMEs are still independent. Both the Government, BUMN, and certain communities have their own ways to develop MSMEs. The government with the Department of Cooperatives and MSMEs, SOEs with programs from the Ministry of SOEs, namely the SOE House, and many national and local communities who are also activists in

⁹Asosiasi E-Commerce Indonesia. (2021). *UMKM yang sudah tergabung dalam ekosistem Digital*.

¹⁰Moleong, L.J. (2007). *Metodologi Penelitian Kualitatif*, Bandung.: PT Remaja Rosdakarya Offset.

¹¹Sugiyono. (2014). *Metode Penelitian Kuantitatif, Kualitatif dan R&D*, Bandung: Alfabeta.

developing MSMEs. So that until now, there is no correct and correct MSME data, and the programs carried out also overlap with one another. All parties have MSME training and development programs in different places but with almost similar programs and MSMEs that are incorporated are actually the same. One MSME can be incorporated in several different MSME training and development centers. So it can be concluded that this MSME development effort has not been effective.

Especially during the current Covid-19 Pandemic, the ineffective condition of developing MSMEs, which so far has not been too pronounced, has become very pronounced. The connection is with slumping economic growth. Indonesia's economic growth which reached -5.32% in the second Quarter of 2020, and with the role of MSMEs which are the key to the Indonesian economy, namely that 99.99% of the number of business actors in Indonesia are MSMEs. So the key to improving the Indonesian economy is to optimize the role of the Government, BUMN and the community and even other parties related to the development of MSMEs. For this reason, a model for the development of the MSME Center was created to support the sustainability of the Indonesian economy.

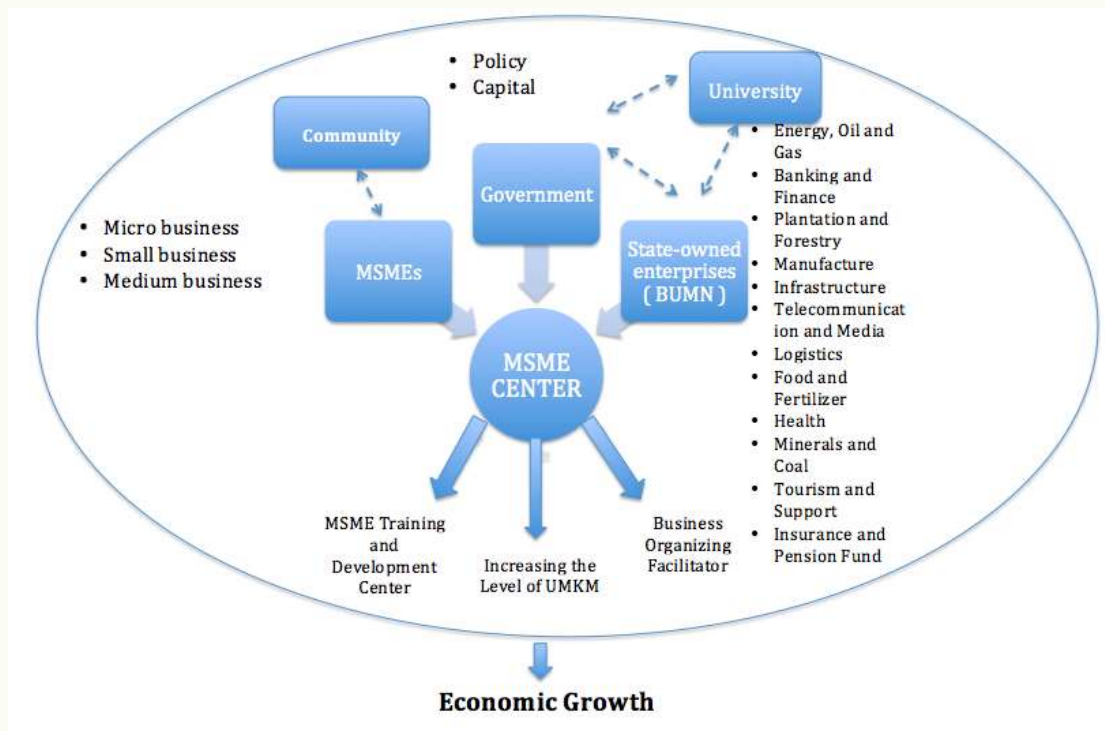


Figure 1. MSME Center Development Model

The MSME center in the development model in Figure 1 above links all parties involved in the development of MSMEs such as MSMEs themselves, both micro, small and medium enterprises, the Government in this case the Cooperatives and MSMEs and SOEs Service, in this case the Ministry of SOEs.

Even supportive communities and related Colleges. The MSME Center development model here not only links all parties related to MSME development, but also clarifies the role of each party and makes MSME development activities more effective and efficient. Where MSMEs as business units are developed so that they can support Indonesia's economic growth. MSMEs are usually members of certain communities that share the same goal of advancing the business of their community members. Then the government which previously had the task of making policies, providing capital assistance to training, in this model focused on policy makers and capital assistance. Furthermore, SOEs, in this case the Ministry of SOEs, consist of various industrial clusters with a program called the SOE House. The industry clusters involved in BUMN are mineral and coal industry companies, financial services, insurance and pension funds, telecommunications and media services, infrastructure services, tourism and support services, logistics services, food and fertilizer industry, health industry, plantation and forestry industry, the manufacturing industry and the energy, oil and gas industry. Each of these industrial clusters collaborates to manage SOE HOUSE in their respective locations by conducting training and development of MSMEs and increasing levels. In addition, there are universities that participate in providing input and assisting the management of the MSME Centre, especially from the scientific side, namely the implementation of training for MSMEs.

In the future, the MSME Center will not only become a center for gathering and learning for MSMEs, but it is hoped that it will be able to develop into a medium for increasing the level of MSMEs. As in relation to certification and business permits, MSMEs that previously did not have a Home Industry Food Production Certificate (SPP-PIRT), could obtain SPP-PIRT through the MSME Center. There is a certification and business license registration assistance facility there.

Then it relates to the implementation of business operations. Not all businesses, especially ultra micro have their own machines to produce goods and services that they will sell. For example, packaging machines, not all MSMEs have machines to make product packaging. Many end up buying again from suppliers, so the cost of production is getting more expensive. Here the role of the MSME Center is to provide packaging machine facilities for all MSMEs who are partners, and can use the machine by only paying operational costs. Completeness of machines and services for certification and business licenses are given in cooperation between the government and BUMN. So that MSMEs can directly feel the benefits of the MSME Center. And furthermore, the UMKM Center can also have a business unit in the form of the largest gift shop in their respective regions,

If the MSME Center development model can be implemented, it will be able to turn the wheels of the MSME economy in particular and support future economic growth.

4. Conclusion

The declining economic condition due to the Covid-19 pandemic is an important problem at this time. The existence of the role of MSMEs which greatly affects the Indonesian economy is certainly one of the keys to solving economic problems. Unfortunately, the management of MSMEs has not been well coordinated and focused. Many activities are carried out repeatedly by different parties, so they are not optimal. So with this MSME Center development model, it will connect all related parties and focus on managing MSMEs to increase their level and business. And it is hoped that this will have a major impact on the Indonesian economy.

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