

DYNAMICS OF MSMES IN EAST JAVA FACING THE COVID-19 PANDEMIC

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Abstract: The COVID-19 pandemic that has hit the world and Indonesia has greatly affected the business world and businesses, including Micro, Small and Medium Enterprises (MSMEs). Various efforts have been made by the government to overcome or at least reduce the impact felt by the community due to this pandemic, from PSBB, PPKM, free vaccination and so on, but this can only be successful if all elements in this country are united and united in overcoming spread of this virus. What about MSMEs? Although this type of business is among the most resilient in the face of all existing situations, without the right innovation and technology, these businesses also receive a negative impact on this pandemic. This article was compiled based on the results of research on 30 MSMEs with research locations in the areas of Surabaya, Gresik, Sidoarjo, Lamongan and Bojonegoro, to find out what the responses and efforts of these MSMEs were to face the pandemic. The selected MSMEs are businesses with evenly distributed criteria among businesses at the micro, small and medium level.

Keywords: *pandemic-covid 19, MSMEs, government, innovation and technology.*

1. Introduction

The prolonged pandemic causes the government and all elements of society to try to overcome or reduce the impact that occurs often having to deal with unhealthy mindsets and habits from the community. Various efforts have been made, including PSBB, PPKM, free vaccinations, health programs (prokes) and so on, not failing to make the wheels of the economy falter, as well as the MSME industry.

Micro, small and medium enterprises (MSMEs) are a form of industry that refers to productive economic businesses owned by individuals or business entities in accordance with the criteria stipulated by Law no. 20 of 2008. Many people feel comfortable doing business on the MSME scale because of the various advantages offered at this MSME scale, including not having a complicated bureaucracy and complicated system, also having advantages in employee relations because the scope is smaller, and the flexibility to adapt the business with dynamic market conditions.

Most MSME actors still run their businesses traditionally, so they don't think it is necessary to carry out standard assessments or other matters related to strategy formulation, but for business people who are really serious about running MSMEs, innovation can become one of the main advantages to be able to increase growth. business, especially innovation in the field of technology.

Apindo, as stated by Enderwati (2021) stated that the Covid-19 pandemic had claimed many victims from the MSME sector, even he said that the survey results of the Asian Development Bank (ADB) stated that around 50% of MSMEs closed their businesses due to the impact of this pandemic. In line with Apindo, Ikhsan Ingratubun, Chairman of the Indonesian MSME Association (Akumindo), stated that during 2020 there were around 30 million MSMEs that went bankrupt due to Covid-19, from the conditions in 2019 where the number of MSMEs in Indonesia was 64.7 million (Sembiring).

However, the MSME business groups in Indonesia have proven to be resistant to various kinds of shocks from the economic crisis. MSMEs are proven to be resistant to the shocks of the economic crisis, including the existence of several facilities and advantages possessed by MSMEs, so that if managed seriously and sustainably, MSMEs are ready to transform to face any changes in competition, even during the current pandemic, as stated in the RBV and KBV theory that companies which is unique in terms of human resources, technology and innovation will make the business it manages not easy to imitate and can survive and even create a competitive advantage for its business.

The purpose of this study is to find out how the responses and efforts made by MSMEs in dealing with the pandemic and are designed to be able to provide an overview of how RBV and KBV theory can create a competitive advantage for MSMEs, especially facing the impact of a pandemic that cannot be avoided even by businesses in Indonesia. MSME level. This research is important to do so that it is known how MSMEs can survive in these difficult times and whether RBV theory is suitable for use in MSMEs.

Resource Based View Theory (RBV) is a theoretical concept that is believed to provide answers in creating a competitive advantage for a company. According to Conner (1991) RBV was originally coined by Penrose (1959) and later developed by Wennerfelt (1984), Barney (1991) and Grant (1991). Penrose (1959) in Nair et al. (2008) stated that the company is an integration of human and non-human resources where human resources play an important role in managing, namely planning, organizing, coordinating and evaluating and leading the use of other resources. The same resource when used for different purposes or in different ways or in different combinations will result in heterogeneity between companies and a uniqueness that cannot be imitated. RBV is a resource-based view that applies the basis of competitive advantage where the main thing lies in a company's set of tangible or intangible assets.

Knowledge Based View Theory (KBV) is a knowledge-based view which shows that the collection of resources within the company is not the only factor that can give a company a competitive advantage. Another factor that is no less important is the knowledge and information factor owned by the company, where the availability of adequate knowledge and information will provide long-term sustainable advantages. Zollo and Winter (2002) mention that the KBV approach forms the basis for building human capital involvement in the company's routine activities. This is achieved through increasing employee involvement in the formulation of the company's long-term and operational goals by developing new knowledge for competitive advantage from the unique combination of existing knowledge.

The Covid 19 pandemic began with a deadly virus from Wuhan, China in December 2019 which was originally named SARS Cov-2 and then spread throughout the world, including Indonesia. On March 2, 2020, the Indonesian government officially announced that the Corona virus had infected people in Indonesia, after the first sufferer met a Japanese

citizen who came to Indonesia (Thejakarta.com, 2020). After the incident, victims of the corona virus became unstoppable in cities throughout Indonesia.

WHO, on March 11, 2020, declared Corona Virus a world pandemic. As a result of this, on April 2, 2020 the Government of Indonesia has enacted Regulation of the Minister of Law and Human Rights of the Republic of Indonesia No. 11 of 2020 concerning the Temporary Prohibition of Foreigners from Entering the Territory of the Republic of Indonesia. However, the rate of negative impacts caused by this pandemic cannot reduce the losses felt by the business community in general.

Several studies on this pandemic have been published, including findings from Qiu et al. (2020) who found that during the pandemic there was a unique effort from younger people to contribute to reducing business risk because they are more digital and technology savvy so they can access the impact of the pandemic crisis in real time so that the government can involve the younger generation who tend to be more motivated. and knowledgeable to be able to take rational actions towards crisis recovery after the pandemic. Meanwhile, Nasution and Indria (2021) found that 42% of MSME actors sell products online. The digital financial system has been used by 70% of the respondents used, and 55% of MSMEs that have carried out the digitalization process in marketing are the younger generation.

The findings of Kusuma et al. (2022) states that digital product marketing makes it easy for customers to obtain information about the product, the needs and desires of potential customers. Nugraheni (2020) through his survey found 33 SMEs in the handicraft sector in Solo City who were taken as respondents indicating that MSMEs have implemented strategies that include improving product quality, improving service quality and utilizing technology.

In line with Nugraheni, Fitriasari (2020) found that there are three important elements of business resilience in MSMEs, namely product excellence, community behavior, and process reliability. Business resilience is supported by digital transformation. Digital transformation will be created when new digital skills emerge, including skills in using digital tools. For that we need the right digitization strategy in achieving business goals and developing SME products or services to be more competitive. The digital transformation process requires proper testing of digital infrastructure, and by using appropriate technology for system resilience, an MSME can carry out its digital transformation and create digital resilience.

The results of research conducted by Hamdan (2021) on MSMEs in the city and district of Serang showed that the innovation variable and the quality of human resources had an effect on the competitiveness of MSMEs. Human resource variables have a more important role in increasing the competitiveness of SMEs compared to innovation.

2. Research methods

The form of this research is descriptive qualitative research because it aims to analyze the readiness of MSMEs to face the Covid 19 pandemic from simple forms to more modern ones that prioritize information technology. This study uses a qualitative research method with an analytical descriptive approach. The results of the interviews were sharpened by conducting a literature study of the overall social situation studied in a synergistic manner. The informants in this study were: MSME actors and managers as well as employees from several levels and types of industry as many as 30 MSMEs in 5 (five) locations, namely: Surabaya, Gresik, Sidoarjo, Lamongan and Bojonegoro.

Data collection is the most strategic step in this research, because the main purpose of the research is to obtain data (Sugiyono, 2018:32). The steps taken are: 1) direct interviews with relevant informants; 2) literature study to find out regulations on MSMEs, and the social situation that exists in MSMEs as well as the theories that become the basis for making decisions and conclusions. Qualified resource persons/informants will greatly influence the disclosure of the required information.

The data analysis and presentation technique used in this study refers to Creswell (2015:39), namely:

a. Data collection

Is the stage of collecting data obtained from the results of interviews, observations, library research and documentation as well as other secondary data that were successfully obtained.

b. Organizing data

The process of organizing data is defined as the process of selecting, focusing on simplification, abstracting and transforming "rough" data that emerges from written records in the field.

c. Read and memo data

The next step is to read and interpret a set of information that is arranged as a data

d. Describing, generating and interpreting data

Presentation of information in a complete table recap of interviews conducted with key informants. The data is then scrutinized and understood to draw conclusions and take the necessary actions.

e. Verification and conclusion

The next interactive analysis activity is to verify and draw conclusions. At the initial stage of data collection, the researcher begins to look for the meaning of things, noting regularities, patterns of explanation, possible configurations. While verification is a review of field notes, in other words the meaning that emerges from the data must be tested for truth, verification in research is carried out continuously throughout the research by the researcher so that certain propositions are formed that can support the theory or refine the theory. The verification stage includes matching the compatibility of theories that have been developed previously with field findings, so that in the end a conclusion can be drawn from the research conducted.

3. Results and Discussion

1) Overview of Research Objects:

This study included 30 MSMEs consisting of 14 (fourteen) MSMEs with culinary businesses; 3 (three) MSMEs with high-tech equipment business; 1 (one) MSME in the transportation sector; 6 (six) SMEs in the field of convection and fashion; 2 (two) MSMEs are engaged in building facilities; 4 (four) MSMEs with a grocery store business and daily necessities. From each of the selected MSMEs, interviews were conducted with employers and employees.

2) Data collection:

At this stage, in-depth interviews were conducted with entrepreneurs and employees of each MSME with the main questions being:

a. The business involved; including length of business

b. How was the business strategy carried out before the pandemic

- c. What is the business strategy that is planned to be carried out now and after the pandemic ends
- d. What is the impact of the current Corona Virus 19 pandemic?
- 3) Organizing data
All data that has been successfully collected is then recapitulated in the form of a table for analysis. Tabulated results as table 1

**Interview Recap
Table 1**

No	Name	Business	Old Strategy	New Strategy
1	Oma's House Surabaya	Food - Drink Waiting	For Orders To Enter Healthy Drinks	Reseller Opportunity
2	Mr. Andi	Packs Of Selling Food	On The Spot	Delivery Packs, Online
3	Mr. Sul	Packs Of Selling Fruit	Has Several Outlets	- Small Outlets Closed - Take A Little Merchandise
4	Seventeen Coffee	Coffee Shop	General Shop	Reduces Work Hours & Sells Online
5	Emeralda Cake - Mojokerto	Cake	Cake Order	Employees Are On Vacation, Want To Be Online But Don't Master Technology
6	Neira Coffee	Selling Coffee And Selling Processed Coffee	Cafe	Product And Packaging Innovation, Online
7	Sumber Rejeki Drinking Water Depot	Refill Water	Serve Direct Buyers	Service Delivery With Protocol
8	Fried Rice	Restaurant	Serve Direct Buyers	Serve Around To Housing
9	Daily Catering	Restaurant	Serve Direct Buyers	Change With Online Offer
10	Sanjaya Depot	Culinary Depot	Serve Direct Buyers	Raise The Selling Price Because The Raw Materials Go Up
11	Madura Ciliwung Rice	Madura Culinary Depot	Serve Direct Buyers	Add Menu
12	Warkop Dulus Dhewe	Culinary Depot	Serve Direct Buyers	Add To The Menu That Customers Like
13	Warung Soto Pak To	Culinary Depot	Serve Direct Buyers	Lay Off Some Employees, Permanent Business
14	Depot Santos	Culinary Depot	Serve Direct Buyers	New Menu Innovation
15	Gadgetnio	Hp Accessories Distributor	General Distribution/Sales	Online End User, Tokopedia, Shopee Etc.
16	Toko Komputerku	Computer	Serve Direct Buyers	Selling High-Tech Equipment
17	Felice Print	Print & Photocopy	Serve Direct Buyers	Market Online
18	Mr. Suwono	Go Food - Grab Food	Wait For The Order	Still Even Though It's Quiet
19	Wahyu Konveksi	T-Shirts, Embroidery, Hats	Wait For The Order	Regular Customers, Mask Product Innovation, Employees Fired
20	Batik Clothes Convection	Selling Clothes Online Shop Form	Offline Shop	Online Shop

21	Convection Plain T-Shirts	Uniform Shirts & Shirts	Canvassing & In-Store Sales	Almost All Customers Stop Ordering, Create A New Trademark
22	Galilea Fashion	Fashion Products	Store	Waiting For The Pandemic To Pass
23	Sinari Terang	Convection	Serve Direct Buyers	Changing The Production Of School And Sports Uniforms
24	Batik Dress	Convection	Serve Direct Buyers	Lay Off Some Employees, Permanent Establishment
25	Toko Kaca Maju Jaya	Glass Products	Wait For The Order	Reduce Glass Stock
26	Ceramic Shop	Ceramic	Depending On The Order	Order Delay
27	Toko Langgeng Jaya	Daily Necessities	Serve Direct Buyers	Keep Serving In The Traditional Way
28	Toko Sinar Pelangi	Bread Making Needs	Serve Direct Buyers	Keep Serving In The Traditional Way
29	Toko Muraiki	Grocery Store	Serve Direct Buyers	Change Shop Design With Drive Thru
30	Mini Market Bu Pat	Grocery Store	Serve Direct Buyers	Sorting Out The Products That Sell Or Don't Sell

source: interview with MSME's

4) Read and memo data

Table 1 shows that of several MSMEs studied, 60% could not survive or stay afloat but had to lay off employees, wait for government assistance, reduce promotional activities or reduce their business volume. 20% tried to innovate by changing marketing strategies (changing packaging as an act of complying with government regulations; traveling around from before waiting for consumers to arrive; changing products sold), product strategies (new menus; changing convection production to mask production). While the rest capture the pandemic as an opportunity by utilizing technology, namely online marketing strategies; promotion in mass media; changed the store design to a drive thru.

5) Describing, generating and interpreting data

The pandemic period is a very difficult time, but must be faced by all groups. Not only big companies, but also attacking the MSME industry. Some are resigned to waiting for the government's hand and hope the pandemic will pass soon. In this type of MSME actors, it is almost impossible to survive, let alone to develop. The rules imposed by the government to stop the spread of COVID-19 have caused businesses to decline. People do not dare to go out of the house, the price of raw materials is getting more expensive which also triggers the condition of MSMEs which is getting tougher.

On the other hand, not a few MSME actors can take advantage of this pandemic condition by making new breakthroughs by creating new products; set up new layouts; utilizing technology by selling online or promoting using mass media. All of the resources owned by MSMEs can really be used properly and this makes their businesses survive, even some MSMEs claim that their business and profits have increased. Utilization of all these resources causes MSMEs to have a uniqueness that other MSMEs do not have and in that way MSMEs can survive even in this uncertain time of the pandemic, and even improve the performance of their MSMEs.

6) Verification and drawing conclusions

The results of the research that have been carried out can explain that MSMEs that can survive even during this pandemic are only MSMEs whose efforts in overcoming the pandemic are to concentrate more on increasing innovation, and utilizing technology. Technological developments that follow the progress of the times and are accompanied by innovation will make MSMEs able to survive and even increase.

Good resource management, especially managing human resources is also an important thing to do so that the human resources owned will become an important asset for MSMEs in dealing with the impacts felt due to the pandemic.

This is in line with the theory of RBV and KBV which states that organizations that have a uniqueness that cannot be imitated can win the competition. The results of this study are also in line with the results of previous researchers who succeeded in revealing that MSMEs that use internet digitization, which is part of technology, have been proven to increase industry resilience, not only survive in this pandemic situation, but even become a pioneer for the movement of the economy in the country.

4. Conclusions and Suggestions

The literature review that has been carried out previously on RBV shows that a sustainable competitive advantage of a business can be achieved if the existing resources are managed properly. The RBV theory, which was previously intended for large companies, in this study has also been proven to apply to MSMEs, companies that are often underestimated compared to large companies.

This research has proven to also confirm the implications of RBV, especially those related to capabilities derived from human resources, both individually and in groups. Human resources need to be managed properly so that they can make a maximum contribution in improving the performance of MSMEs so that they are able to create a positive impact on increasing competitiveness, especially how MSMEs face this pandemic. The implications of KBV related to the knowledge of MSME actors/owners if continuously improved will have a real impact on MSMEs, especially in their efforts to improve themselves with applicable information technology so that they are not left behind with the business world in general.

This research also enriches the empirical studies that have been carried out, especially in the science of RBV, resource-based theory of view and KBV, knowledge-based theory of view. Assistance from the government is of course not only from free vaccines, cash assistance and subsidies for basic commodities, but especially in understanding technological knowledge and motivation that leads to the emergence of sustainable innovations.

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