

## SMALL MEDIUM MICRO BUSINESS STRATEGIES IN DEALING WITH THE IMPACT OF THE COVID-19 PANDEMIC

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**Abstract:** *Covid-19 pandemic is one of the viruses that threatens many lives and sectors throughout the world, one of which is Indonesia. Since the Covid-19 pandemic, one of the sectors most affected by the Covid-19 pandemic is the economic sector because social vulnerabilities make the position of economic resilience experience shocks. Many MSMEs experienced a decrease in income so that the impact was a lot of reduction in employees and even stopped operating. To be able to survive and get out of the crisis, the presence of MSME Innovation is the right solution. This study discusses the application of innovations that need to be applied to MSMEs affected by the covid-19 virus, innovation from the marketing side, and product flexibility, rather than creating new products. This research relates to the theme of MSMEs only to describe and problems through the solution of related literature studies that have occurred in Indonesia, secondary data obtained from MSMEs in Central Java.*

**Keywords:** *covid-19 pandemic, SMEs, innovation*

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### 1. Introduction

Since the last Weekly Epidemiological Update was issued on October 5, more than 2.2 million new cases and 39,000 Covid-19 deaths have been reported across six WHO regions. This is the highest number of reported cases so far in a single week. From December 30 to October 11, more than 37 million cases of Covid-19 and 1 million deaths have been reported globally. Nearly half of these cases (48%) and deaths (55%) continue to be reported in the Americas Region with the United States, Brazil and Argentina accounting for the largest number of new cases and deaths in the region (Kawana, Mikasa, and Izumikawa 2020).

The current outbreak of the novel coronavirus SARSCoV-2 (coronavirus disease 2019; formerly 2019-nCoV), centered in Hubei Province, People's Republic of China, has spread to many other countries. On January 30, 2020, the WHO Emergency Committee declared a global health emergency based on the growing rate of case notification in Chinese and international locations. Case detection rates change daily and can be tracked almost in real time on the website provided by Johns Hopkins University (Velavan and Meyer 2020).

One of the sectors most affected by the Covid-19 pandemic is the economic sector because social vulnerabilities make the position of economic resilience experience shocks. Many MSMEs experienced a decrease in income so that the impact was a lot of reduction in employees and

even stopped operating. To be able to survive and get out of the crisis, the presence of MSME Innovation is the right solution.

According to (Tidd & Bessant, 2018) that to make innovation there are four types of innovation that need to be made namely product innovation, process innovation, position innovation, paradigm innovation (Malecki and Spigel 2017), amid declining consumer purchasing power, not all innovations This is feasible to be applied by MSMEs during the Covid-19 pandemic due to the need for additional costs. The existence of social and physical distancing also hinders the delivery of products and services from producers to consumers.

From the description above, the researcher intends to explain MSME innovations, the aim is to help micro-businesses to maintain their business, and be able to compete in the era of the covid-19 pandemic.

## **2. Literature Review**

### **2.1. Micro, Small and Medium Enterprises (MSMEs)**

According to the 1945 Constitution, it was later strengthened through TAP MPR NO. XVI/MPR-RI/1998 concerning Economic Politics in the context of Economic Democracy, Micro, Small and Medium Enterprises need to be empowered as an integral part of the people's economy that has a position, role, and strategic potential to realize a more balanced, developing, and just national economic structure. Furthermore, the definition of MSMEs was made through UU No.9 Tahun 1999 and due to the increasingly dynamic state of development it was changed to Undang-Undang No.20 Pasal 1 Tahun 2008 concerning Micro, Small and Medium Enterprises, the definition of MSMEs is as follows:

- a. Micro Enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as regulated in this Law.
- b. Small Business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part either directly or indirectly of Medium Enterprises or Large Businesses that meet Small Business criteria as referred to in this Law.
- c. Medium Enterprises are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part either directly or indirectly with Small Businesses or Large Businesses with total assets. net or annual sales results as regulated in this Law.
- d. Large Business is a productive economic business carried out by a business entity with a net worth or annual sales results greater than that of a Medium Enterprise, which includes state-owned or private national businesses, joint ventures, and foreign businesses conducting economic activities in Indonesia.
- e. Business World is Micro, Small, Medium and Large Enterprises that carry out economic activities in Indonesia and are domiciled in Indonesia.

MSMEs are able to become a solution to poverty alleviation in Indonesia. Poverty alleviation by developing MSMEs has quite good potential, because it turns out that the MSME sector has a large contribution to employment, which absorbs more than 99.45% of the workforce and contributes to GDP of around 30%. Efforts to advance and develop the MSME sector will be able to absorb more of the existing workforce and of course will be able to improve the welfare of the workers involved in it so as to reduce unemployment. And in the end it will be used for poverty alleviation. The Poverty Alleviation Action Program through the empowerment of MSMEs which was launched by President Yudhoyono on 26 February 2005, there are four main types of activities to be carried out, namely, (1) growing a conducive business climate, (2) developing business support systems, (3) developing entrepreneurship and competitive advantage, and (4) empowerment of micro-scale enterprises (Suci, Tinggi, and Ekonomi 2017), Small and Medium Enterprises (SMEs) in Indonesia have contributed a lot to the national GDP (Gross Domestic Product) of 55.56% based on data from the Planning Bureau of the State Ministry of Cooperatives and SMEs of the Republic of Indonesia, in 2008 (Sunaryo 2019).

## **2.2. The Diffussion Of Innovations**

Diffusion theory of innovation is based on the process of spreading innovation within organizations or among individuals that determines success in adoption for various purposes. Innovation can be in the form of products, services, ideas, information and practices that are considered new by individuals (Rogers, 1995). Previous research related to the adoption and use of technology in general is based on the Diffussion of Innovations Theory (Odoom et al., 2017; Ainin, et al., 2015). According to Odoom et al. (2017), as a support system for various needs in various contexts, the use of social media in the context of technological innovation requires dissemination and alignment of company activities.

## **2.3. Use of Social Media for MSMEs**

The popularity of social media has created a new paradigm of e-commerce called social commerce. Social commerce is part of e-commerce by utilizing social interaction and the contribution of social media users in online shopping (Kim and Park, 2013). APJII, most Indonesian internet users use the internet to access social media, entertainment and online shops. Trading activities are the activities that are mostly carried out on social media, amounting to 94.6% (APJII, 2016).

This fact shows that more and more sellers are using social media technology for online business. Social media is a profitable platform for business actors and consumers to transact and establish intense communication (Kumar et al., 2016). Social media as an innovative tool for MSMEs in supporting business systems. Therefore, the dissemination of social media including antecedents in adoption, use and consequences will be well described based on DOI theory (Odoom et al., 2017). This study investigates the four antecedents of two social media platforms

(facebook and instagram) and the impact of social media use which is described in the five performances in more detail.

#### **2.4. Interactivity**

Liu and Shrum (2002) define interactivity as the level of interaction between two or more parties in the communication media and the ability to respond to the communicant. Replies and mentions are interactive features on social media that are useful for making it easier for business people to communicate with consumers (Lovejoy, Waters, and Saxton, 2012). An important consideration in adopting social media is interactivity, because the interactivity feature can bridge the gap caused by differences in time and geographical location between sellers and consumers (Michaelidou et al., 2011). The results of previous studies show empirical evidence of the effect of interactivity on the use of social media for MSMEs (Ainin et al., 2015; Odoom et al., 2017).

#### **2.5. Trust**

The form of trust related to the use of social media is information trust. According to (Chai et al., 2011), information trust is user trust related to the reliability, credibility and accuracy of information obtained from social media. This information trust is an important factor in decisions to use social media. The main success factor for MSMEs in their business can be accommodated through social media by establishing good relationships with consumers (Ainin et al., 2015). MSME actors post various kinds of information, ideas, products, services, and other promotional activities through social media. In addition, MSME actors also get various kinds of knowledge and information from social media. Thus, it is necessary to have information trust in the use of social media in order to achieve the expected goals (Ainin et al., 2015).

#### **2.6. Use of Social Media and Its Benefits**

Based on the uses and gratification theory, social media users are intensely involved if their goal orientation is met and are motivated to choose a media that offers the best fulfillment of needs, so that satisfaction can be achieved (Roy, 2009). The use of social media is specifically intended to attract new customers, maintain relationships with consumers, increase awareness, communicate brands online, and receive feedback from consumers and business partners (Michaelidou et al., 2011). In the end, the benefits resulting from the use of social media are financial and non-financial performance (Purwantini and Anisa 2018).

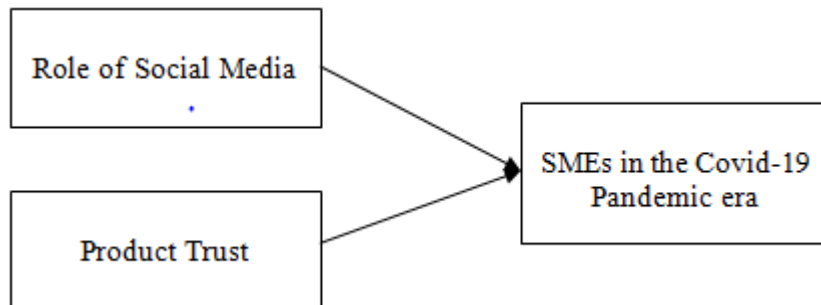


Figure 1. Research framework  
 Source: 2021 research

### Research Hypothesis

$H_0$ : the role of social media and product trust has no influence on MSME innovation in the pandemic era

$H_1$ : the role of social media and product trust has an influence on MSME innovation in the pandemic era

### 3. Research Method

This research is a type of qualitative descriptive research, where the main study of this research relates to the theme of micro, small and medium enterprises with the current covid-19 pandemic which has been running for almost two years. This study only describes various problems from various types of MSMEs through alternative solutions by using competent literature studies such as journals, reference books, and various other sources that are related and relevant to the research themes that have occurred in Indonesia. In addition, the data in this study is also supported by various secondary data obtained from existing MSMEs, especially MSMEs in Central Java which have been published through various media whose sources can be accounted for.

### 4. Research Results

#### 4.1. Innovation Process

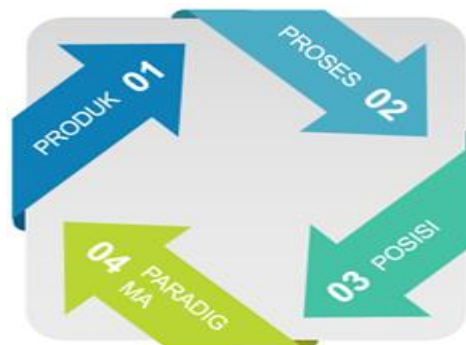


Figure 2. Innovation Model  
 Research results: 2021

From Figure 2 it can be explained that:

- a. If MSMEs issue a new product, it can be ascertained that it is not very effective due to the following reasons:
  - 1) There is a decrease in purchasing power, due to physical distancing restrictions due to the covid-19 pandemic.
  - 2) People focus more on health products, such as hand sanitizer, masks, and immune-boosting drinks or foods.
  - 3) Unbalanced finances due to reduced profit income.

From the three things above, it is impossible for MSMEs to make new products because it will endanger MSEs' defense from lack of funds or finances.
- b. Turning to social media as an integrated marketing process, marketing through the internet is considered more effective than advertisements posted on the street or through other mass media, because it can save marketing costs. In the era of the covid-19 pandemic, the government recommends all activities such as studying and working to be transferred to the online model or wfh (work form home).



Figure 3. Overview of PSBB and Internet Marketing  
 Research source: 2021

- c. Renewal of old products to be marketed in new market segments, this can be quoted from the system carried out by drama or film makers, or other entertainment programs, films that initially could only be enjoyed in theaters, with new innovations in watching applications such as viu , netflik, etc., now cinema movies can be enjoyed via smartphones, anytime and anywhere.
- d. Someone who has MSMEs needs to be flexible in all situations, and understand the situation, meaning MSMEs must have products that adapt to various seasons such as the COVID-19 pandemic in order to compete and survive. An MSME businessman needs to understand the financial strength of his business so as not to experience financial inflation.



## 4.2. Creative MSME Inspiration

Below are some inspiring SMEs in Central Java.



Figure 4. Inspirational SMEs

Source: Liputan6.com

## 5. Conclusion

From some of the descriptions above, it can be concluded that the best way to maintain micro, small and medium enterprises in the current era of the COVID-19 pandemic is through continuous innovation in the marketing process, especially marketing through online media (internet) and product flexibility.

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