



Community Empowerment in the Time of the Covid-19 Pandemic through Strengthening MSMEs in East Java

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ABSTRACT: People's economic empowerment is an effort to create a strong, large, modern, and highly competitive economy in the correct market mechanism. Because the obstacles to people's economic development are structural constraints, the empowerment of the people's economy must be carried out through structural changes. The Covid-19 pandemic has hit many countries, including Indonesia. Covid-19 has had an impact on various sectors including Micro, Small and Medium Enterprises (MSMEs), including the decline in the number of sales.

This research method uses a qualitative descriptive approach. This research uses a case study approach, which is an empirical inquiry that investigates phenomena in real-life contexts, where the boundaries between phenomena and contexts are not clear, and there are multiple sources of evidence. The results of the research are that business actors seek to find marketing and sales alternatives, secure capital and assets, temporarily transfer them to other businesses, and must learn technologies that are considered effective for promotion and sales.

KEYWORD: Empowerment, Economy, MSMEs, Pandemic, Society

INTRODUCTION

Community economic empowerment is an effort to change a situation or condition of the community either individually or in groups in solving various problems related to efforts to improve the quality of life, independence and welfare. Community economic empowerment is an effort to build community power in the economy, especially by encouraging, motivating, and exploring their potential so that conditions will change from being helpless to being empowered with the realization of real actions to increase the dignity and worth of the economy and escape from poverty. poverty and underdevelopment. Empowerment is directed at improving the community's economy productively so that it is able to produce high added value and greater income. Efforts to increase the ability to generate added value must at least improve access to four things, namely access to resources, access to technology, access to markets and access to demand [1].

Economic empowerment can be realized if the core targets can focus on alleviating poverty, creating jobs, improving people's welfare, and democracy in politics. Community economic empowerment can be done by strengthening distribution and marketing control, strengthening to get adequate salaries/wages, and strengthening in obtaining information, knowledge and skills to increase the community's ability to be able to stand on their own. Empowerment is directed at improving the community's economy productively so that it is able to produce high added value and greater income. Efforts to increase the ability to generate added value must at least improve access to four things, namely access to resources, access to technology, access to markets and access to demand. According to the Directorate General of Community and Village Empowerment [2], empowerment is an effort to create or increase the capacity of the community, both individually and in groups in solving various problems related to efforts to improve the quality of life, independence and welfare.

Supporting Factors for Community Economic Empowerment According to Hutomo (2000), there are several factors supporting the occurrence of community economic empowerment, namely as follows: a. Human resources Human resource development is an important component in any economic empowerment program. For this reason, the development of human resources in the context of economic empowerment must be taken seriously. Because human resources are the most fundamental element in strengthening the economy. b. Natural resources Natural resources are one of the development resources that are quite important in the process of economic empowerment that can be utilized to meet needs and improve people's living standards. This natural resource has been used since ancient times from the nomadic life to the industrialization era. c. Capital, Capital is one aspect of the problems faced by society in general [3].



However, there are things that need to be observed in the aspect of capital, namely, how the provision of capital does not create dependence on the community and can encourage micro, small and medium enterprises to develop in a forward direction. A fairly good way to facilitate solving capital problems for micro, small and medium enterprises is to guarantee credit at existing financial institutions, and/or provide interest subsidies on loans at financial institutions. d. Production and marketing infrastructure, productivity drivers and business growth required production and marketing infrastructure. If the products are not marketed, the effort will be in vain. For this reason, another important component in community empowerment in the economic sector is the availability of production and marketing infrastructure. The availability of marketing infrastructure such as transportation from the production site to the market will reduce the marketing chain and in the end can increase the acceptance of the community and micro, small and medium entrepreneurs.

MSMEs or micro, small and medium enterprises in Indonesia's history have played a major role in the economy. In general, the definition of MSME is a trading business whose management is carried out by individuals or business entities with a small or micro scope. Meanwhile, experts define micro, small and medium enterprises as small businesses that are a means of assistance to improve the nation's economy. Judging from the development of MSMEs in Indonesia, this business was able to survive in the midst of the economic crisis. In fact, these small businesses are the mainstay of employment, corroborated by BPS data. This hope is also continuously strengthened by the government during a pandemic like now, to restore economic conditions that have been affected. The Covid-19 pandemic has hit many countries, including Indonesia. Covid-19 has had an impact on various sectors including Micro, Small and Medium Enterprises, including the decline in the number of sales [4]

The strength of MSMEs is that they are able to absorb labor and survive from economic downturn, business owners are free to act or in making decisions, business owners go down direct hands in running the business, the business is run according to needs local community. Meanwhile, the weakness is that the limited amount of capital is an inhibiting factor for business owners to develop their business, namely the salary offered is small so that job seekers are less interested in selling their products, they are inconsistent and can change, so they are weak in specialization. Based on the weaknesses and strengths of existing MSMEs, the steps in assisting MSMEs are to map the problems and constraints experienced by each MSME in the East Java region. By mapping existing MSMEs, the next step is through socialization of existing regulations to obtain legality. In order for the business to be more developed, it must have and produce products continuously and supported by good marketing [5]

RESEARCH METHOD

This research uses a case study approach, which is an empirical inquiry that investigates phenomena in real-life contexts, where the boundaries between phenomena and contexts are not clear, and there are multiple sources of evidence. According to Punch, case studies examine specific phenomena that are present in a limited context, even though the boundaries between phenomena and context are not completely clear [6]. This case study research aims to obtain a complete and integrated understanding of the interrelation of various facts and dimensions of the existing phenomena. This study seeks to investigate the phenomenon of the continuity of the condition of small businesses (SMEs) during the Pandemic directly from the subject of business actors who experienced it [7]

RESULTS AND DISCUSSION

However, in addition to their important role in eradicating unemployment and poverty, MSMEs have several limitations such as limited resources, limited funds, lack of infrastructure, lack of business networks, low level of owner education and so on compared to modern businesses [8] (Suyono et al., 2016). On the other hand, the existence of MSMEs is threatened by the rapid growth of large and modern businesses. Furthermore, findings from several previous studies document that the most important of these weaknesses is the lack of available funds to support MSMEs [9]. (Sharif and Budianingsih, 2009; Peria, 2009; and Suyono et al., 2016). This condition is exacerbated by the assumption of some parties who claim that many MSMEs in developing countries are not bankable through formal financial institutions due to lack of bank loan guarantees, low ability to pay, low saving habits, high transaction costs, and so on [10] (Bayu and Sulistiyo, 2012). As a result, the accessibility of MSMEs to financial sources is very low, including MSME suppliers for large retailers, namely MSMEs that do business with large retailers in the product procurement process. In the process, large retailers as partners must contribute to helping MSMEs, such as by providing training so that MSMEs



are able to process products that meet their standards. Thus, MSMEs will be able to produce products with the quality required by large retailers. In other words, the contribution of both parties is very important in encouraging the advancement of MSMEs. In order to be successful in a highly dynamic and competitive business environment, a market-based strategy is needed to accommodate all customer needs because customers tend to choose products according to their wishes. [11].

However, it turns out that the negative impact of Covid-19 on MSMEs has an impact of 54.29%. This is due to several policies related to: (1) restrictions on opening shops, stalls, kiosks and markets, (2) work from home policies and the existence of a shift system between employees, and (3) restrictions on crowds or crowds. The policy of limiting the opening of shops, stalls, kiosks and markets has caused the economy to stagnate and people are reluctant to shop. The community will only buy basic necessities, while goods that are considered economically productive are still empowered. Likewise, MSMEs sell on a limited basis in markets, stalls, kiosks and private housing. On the other hand, the work from home policy for office employees makes the demand process decrease. Because almost all office workers work from home, they have time to cook for their families and are reluctant to go out to buy food. Even some products that previously had to be purchased are now made at home, so they can fill their spare time [12].

Moreover, the policy of prohibiting crowds has made tourist places deserted, even closed. Saturdays and Sundays which are usually used for holidays and buying various food, drinks and toys with crowd restrictions no longer occur. The government's policy in responding to economic problems in the era of the COVID-19 pandemic through empowering MSME actors as stated above is a step and the role of responsibility given by the state to realize the common good. Because the state has an obligation to maintain economic stability and provide everything that is needed by its people, including economic needs. So that the policies and steps given by the government above are a very extraordinary breakthrough in terms of the economy. One form of assistance issued by the Government is in the form of cash assistance to MSME actors in the amount of Rp. 2.4 million. As an initial stage and also in the form of postponing bank installments and interest for 6 months, the number of MSMEs that will receive this assistance is 9.1 million MSMEs, this assistance more or less helps MSMEs who have experienced a decline in turnover and capital due to Covid 19. This program is also felt all MSMEs who take care of assistance by completing the files that have been determined by the Office of Cooperatives and MSMEs in their respective cities/districts [13].

The Ministry of Cooperatives and Small and Medium Enterprises launched the e-catalog since early July 2020. The launch of this e-catalog aims to increase the competitiveness and ability of MSME actors in the digital era, considering that only around 4 to 10 percent of MSME actors are able to compete in the digital era. digital today. The lack of value is based on the low level of education and socialization of online sales to MSME actors. MSMEs do experience many obstacles in the use of digital technology. As many as 34 percent of MSME actors still cannot use the internet and 23.8 percent indicate a lack of knowledge in running an online business. In addition to the program from the Ministry of Cooperatives and Small and Medium Enterprises in the form of an e-catalog, the Ministry of Cooperatives and Small and Medium Enterprises has also issued the MSME Foster Brother program to address and overcome the gap in technological knowledge by MSME actors [14]

Micro, Small and Medium Enterprises (MSMEs) have the most important role in the economic growth of a country, especially when the COVID-19 pandemic occurs. This is because the relationship between supply and demand has a very high difference. The large role of MSMEs is the center of government attention in providing strategic solutions for MSMEs. However, MSMEs do not always depend on the government to overcome all these problems. MSMEs should adapt to conditions during the pandemic. The Covid-19 pandemic has pushed back almost all sectors, including the economy. Various attempts were made to survive so as not to go bankrupt.

Likewise in East Java Province, Micro, Small and Medium Enterprises (MSMEs) are still surviving during the Covid-19 pandemic. The East Java Provincial Government has also made a number of efforts so that MSMEs can survive at this time, one of which is by using a curation house which is a medium for curating MSME products before they are sent abroad. The curation house was established by the BI East Java Representative Office to help MSMEs products to be sent abroad. This is so that the products can be standardized properly in terms of quality and competitiveness, so far, a total of 318 MSMEs products have been successfully curated by Rumah Curasi. A total of 17 SMEs were curated with the target of penetrating the export market, then 42 SMEs to the modern market and 259 SMEs to the traditional market [15].

The existence of this curation house is important considering that the contribution of MSMEs to Gross Domestic Product (GDP) is quite large, namely 57.25 percent. Including the ability of SMEs to absorb 97 percent of the total workforce. Among the waves of Termination of Employment (PHK) during the pandemic, MSMEs actually absorb the most workers compared to other



business sectors. Through the Curation House program, which is a collaboration between Bank Indonesia, the KUMKM Service and East Java Industry and Trade, slowly but surely East Java MSMEs continue to advance in class, to be able to penetrate foreign markets it must be well standardized. Each country also has its own provisions for incoming products. For this, assistance from those who are experts, namely curators, is needed. In addition, assessors and instructors are also needed. The Curation House also has a mentoring format. Where assistance is carried out by 12 competent assessors, 25 curator instructors and 58 curators of curation houses. The curated East Java MSME products are not only considered feasible or their market is not expanded. Instead, at Rumah Curation, all programs are implemented with a focus on ecosystem development and collaboration [16].

The Covid-19 pandemic that we are facing and we cannot predict when it will pass, inevitably ravages all sectors of people's lives, with the economic sector being the sector that suffers the worst effects. Some MSMEs actors have added variations to the products they sell so they can be surveyed, MSMEs actors who initially sell fashion and beads then add their items by selling food and drinks in order to survive, approximately 60% of product sales are dominated by online sales. In East Java, there are 9.78 million MSMEs actors, of which 91% are micro-enterprises, 3% are small-scale businesses, and 2% are medium and large businesses. As a result of this pandemic, inevitably the MSME actors were also affected by a decrease in their business turnover, for micro-enterprises they experienced an average decline of up to 84%, while for small and medium-sized businesses they experienced an average decline of up to 85%. that's for the average figure for all of East Java. However, amid the decline in turnover, there is also a glimmer of hope, where as many as 59 of these MSME actors are still actively producing, this is an example that MSMEs actors who have the power of creativity, innovation, and fighting spirit are able to adapt during this pandemic. During this pandemic, the marketing of the products produced by MSME actors is not smooth due to various social restrictions and health protocols implemented by the Government, for that the East Java Province Cooperatives & SMEs Service is trying to help overcome these problems. Through linking with the marketplace, to get raw materials online, selling online so that production continues, raw materials are obtained, and the market continues [17]

The East Java Province Cooperatives and SMEs Service during this pandemic has always supported the improvement of MSMEs competencies, trainings through the BDC (Business Development Center) are also always carried out online, there is a gallery in the Service that helps MSMEs to sell their products by in collaboration with the marketplace to expand its market share, according to data, there has been an increase of approximately 15% through online sales through social media (IG, Youtube, etc.), this although not too significant but is sufficient to foster a sense of optimism, hope that East Java people are more technologically literate to be able to make maximum use of existing information technology, to produce something more productive, take advantage of IG, Whatsapp Bisnis, Youtube and so on to improve the welfare of MSME actors [18]

The government has compiled a study of the economic impact and decline in people's incomes in each province based on mild, moderate, to bad scenarios. The scenario was conveyed by President Joko Widodo in a meeting with governors, regents and mayors throughout Indonesia on March 24, 2020. The scenario refers to the economic resilience of each province as well as the decline in the income of economic actors [19]. In a moderate scenario, the impact of the coronavirus will make the income of workers in West Nusa Tenggara decrease by around 25% and be able to last until June-September 2020. In the MSMEs sector, the impact of the largest decline in income will occur in North Kalimantan by 36% with the ability to endure until August-September. October 2020. Meanwhile, for drivers of public transportation and motorcycle taxis, the largest decline in income will occur in North Sumatra by 44 percent. For farmers and fishermen, the largest decline in income will occur in West Kalimantan by 34% with the ability to endure until October-November 2020 [20].

The Covid 19 pandemic condition since February 2020 has forced all business actors, including small and medium sectors such as MSMEs in East Java. to survive and be better able to develop creativity to maintain their business or close it altogether due to limited capital. On the other hand, efforts are hopeful to survive. the level of confidence of business actors in their ability to survive during the Covid 19 pandemic, of which 29% of business actors said they were still very confident in their business being able to survive. In addition, 23% of business actors still believe their business can run and develop after going through the pandemic period, and 15% of business actors still believe that after the pandemic ends their business will run normally as usual. However, there are 19% of business actors who feel pessimistic, and feel that the uncertain condition of the pandemic will cause bankruptcy, and 13% of business actors have not thought about how to maintain their business during the current pandemic and the impact after the pandemic ends.



CONCLUSION

The year 2020 has been the toughest year in the entrepreneurial world due to the Covid-19 pandemic that has existed since the end of 2019 which has forced every business to turn around strategy. Not a few also experienced a crisis during the pandemic, so several companies had laid off their employees to reduce the financing burden. The business sectors most affected are the commercial aviation, travel, oil and gas, automotive and banking sectors. However, the MSME sector business was also affected due to problems with the availability of raw materials and almost all business actors in the MSME sector experienced a very drastic decline in sales turnover, experienced various marketing and sales problems, as well as product distribution. On the one hand, business actors seek to find marketing and sales alternatives, secure capital and assets, temporarily transfer them to other businesses, and must learn technologies that are considered effective for promotion and sales. Some of these business actors in the MSME sector are trying to maintain their business or business in the midst of the Covid 19 pandemic by continuing to follow government rules and health and safety protocols with various efforts to observe (observe), identify (to orient), make decisions (decide), and carry out activities again (to act) with business actors as a cycle of business resilience by paying attention to any changes that occur from time to time

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