

MSMEs Sustainability Strategy during the Covid-19 Pandemic Through the Digital Economy Literacy Movement

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Abstract

Micro, Small and Medium Enterprises (MSMEs) have long been understood to have a significant role in economic development. In the history of the Indonesian economy, MSMEs are the pillars of the national economy. When the national economy dims, MSME actors can save the slump in the national economy. During the COVID-19 pandemic, the challenges of MSMEs are getting tougher. MSMEs are directed to coexist with the pandemic, namely, living a new everyday life. The challenges of MSMEs in the new normal era, such as increasing unemployment and poverty and the decline in the global economy, have become a momentum for adaptation in maintaining business continuity. This study aims to find a strategy for the digital economic literacy movement for MSMEs to survive and be sustainable in the new normal era. MSMEs that are successful in shifting both behaviour and economic activity will be able to become the winners. This study used the descriptive qualitative method. The digital financial literacy movement is a combination of economic literacy and digital literacy, namely the skills to understand and use information about the economy from various sources displayed on the internet. The literacy movement aims to improve critical, creative, and positive thinking skills using digital media in MSME business activities.

Keywords: MSMEs, Digital Economy Literacy, Covid-19 Pandemic

1. INTRODUCTION

At the end of 2019, the world community was shocked by the Coronavirus, which quickly spread to all corners of the world, including Indonesia. The development of the COVID-19 pandemic in Indonesia still shows no sign of ending. Based on data from the Covid-19 Task Force Team as of September 29, 2020, it is known that there were an additional 4,002 cases, bringing the number of confirmed cases to 287,008 patients (www.covid19.go.id). Nevertheless, business activities should not be stopped. Through the Ministry of Health, the Government issued a Health Decree Number: HK.01.07/MENKES/382/2020 concerning Protocols for Public Health in Public Places and Facilities.

Implementing these regulations makes life a new normal (new normal), where all community activities are required to follow health protocols, including in business activities. New normal is a new order of life to create a productive and safe society from COVID-19. People's effective businesses, such as MSMEs, are also affected. MSMEs are one of the pillars of the Indonesian economy, which has been considered resilient to the impact of various global

economic crises, even amid the pandemic that hit Indonesia from March 2020. Several MSME sectors were positively affected (potential winners), including the Chemical-pharmaceutical, Medical Devices, Textiles, and Food-beverage sectors. However, MSME actors are struggling to deal with economic problems amid the ongoing COVID-19 pandemic. The MSME sector experienced negative impacts (potential losers), among others: the Tourism, Construction, and Transportation Sector. (Coordinating Ministry of Economy, 2020).

Silvantika (2020), in his research, revealed that the new normal encourages MSME actors to shift both entrepreneur behaviour (behaviour) and business activities (economic activity). These changes are a necessity so that MSMEs can survive and be sustainable. Changes in the activities of entrepreneurs who previously ignored health now prioritize health protocols and pay attention to social aspects. In addition, this change in business activity also encourages the evolution of businesses that were previously offline, now become online. This is in line with the development of digital technology, which is becoming a trend for young people.

The digital economy continues to develop in the country; even Indonesia is considered to have great potential because the penetration rate of internet users continues to increase. In the 2018 survey report of the Indonesian Internet Service Providers Association (APJII), the number of internet users in Indonesia reached 171.17 million out of 264.14 million people at that time. The penetration at that time grew by 10.12%, or 27.9 million internet users. According to research on social media management platform, HootSuite and social marketing agency We Are Social entitled "Global Digital Reports 2020", nearly 64 per cent of Indonesia's population is connected to the internet. The research, which was released at the end of January 2020, stated that the number of internet users in Indonesia had reached 175.4 million people, while the total population of Indonesia is around 272.1 million. Compared to 2019, the number of internet users in Indonesia increased by about 17 per cent or 25 million users.

In 2019, internet users in Indonesia aged 16 to 64 years had an average time of 7 hours 59 minutes per day to surf the virtual world. This figure exceeds the global average of only spending 6 hours 43 minutes on the internet per day. Indonesia also has other achievements in the number of social media users. Still, from the same research, the number of social media users in Indonesia has reached 160 million, increasing 8.1 per cent or 12 million users compared to last year. That way, the penetration of social media usage in Indonesia has reached 59 per cent of the total population. The average use of social media in Indonesia goes 3 hours 26 minutes per day. This figure is also above the global average of 2 hours 24 minutes per day.

Digital technology that is increasingly developing, especially for young people, is very in line with the demographic bonus phenomenon in Indonesia. The demographic bonus is predicted to occur in 2030-2045; the condition of the demographic dividend has begun to be seen, where the productive age is more than the non-productive age. This creates opportunities for young people to be creative in various fields while reducing economic inequality between communities which is manifested in taking advantage of the momentum of the demographic bonus.

This shows that it is necessary to improve economic literacy and digital literacy to not just passive users of digital technology. This is what lies behind the need for financial literacy and digital literacy to grow entrepreneurship skills for MSMEs.

2. LITERATURE REVIEW

2.1 MSMEs

The World Bank groups MSMEs into three types, namely: 1) Micro-enterprises (10 employees), 2) Small business (number of employees 30 people), 3) Medium enterprises (number of employees up to 300 people). From a business perspective, MSMEs are classified into four groups, namely: a) MSMEs in the informal sector, for example, street vendors; b) Micro MSMEs are MSMEs with craftsmanship abilities but lack the entrepreneurial spirit to develop their businesses; c) Dynamic small businesses are SMEs that are capable of entrepreneurship by establishing cooperation (accepting sub-contract work) and exports; d) Fast-moving enterprises are SMEs that have capable entrepreneurship and are ready to transform into big businesses. (Indonesian Banking Development Institute and Bank Indonesia, 2015).

In Indonesia, the law governing MSMEs is Law No. 20 of 2008, which explains that a company classified as MSME is a small company owned and managed by a person or owned by a small group of people with a certain amount of wealth and income. The Indonesian Banking Development Institute and Bank Indonesia (2015) state that the criteria for MSMEs and Large Enterprises are based on assets and turnover, namely: 1) Micro Enterprises: greatest assets of IDR 50 million and maximum turnover of IDR 300 million. 2) Small Enterprises: assets between Rp 50 million – Rp 500 million and turnover between Rp 300 million – Rp 2.5 billion, 3) Medium Enterprises: assets between Rp 500 million – Rp 10 billion and turnover between Rp 2.5 billion – Rp 50 billion. 4) Large Enterprises: assets of more than IDR 10 billion and turnover of more than IDR 50 billion.

In addition, it also explains the characteristics of MSMEs based on the aspects of the commodities produced, including; a) The quality is not standard. Because most MSMEs do not have adequate capabilities. The products made are usually handmade so that the quality standards vary; b) The product design is limited. This is triggered by little knowledge and experience regarding the product. Most MSMEs work based on orders; not many dare try to create new designs; c) The types of products are limited. Usually, SMEs only produce a few types of products. If there is a demand for a new model, it is difficult for MSMEs to fulfil it. Even if you accept, it will take a long time; d) Limited product capacity and price list. The difficulty of determining product capacity and price makes it difficult for consumers; e) Raw materials are not standardized. Because the raw materials are obtained from various sources, f,) Continuity of the product is not guaranteed and is not perfect. Because production is not regular, usually the products produced are often what they are.

2.2 MSMEs Business Situation in the Covid-19 Pandemic

The impact of the COVID-19 pandemic does have not only a domino effect on health aspects and economic, social, and financial aspects. The economic element puts pressure on both the demand and supply sides. Meanwhile, from the social part, it triggers the cessation of community activities that absorb labour in various sectors, including the informal sector. Industries that have been positively affected by the COVID-19 pandemic, such as the Chemical-pharmaceutical, Medical Devices, Textiles, and Food-beverage sectors, must be encouraged and used as new business opportunities for MSMEs and entrepreneurs.

2.3 Digital Economy Literacy Movement

Digital literacy, according to Paul Gilster in his book entitled *Digital Literacy*, is defined as the ability to understand and use information in various forms from a wide

variety of sources that are accessed through computer devices. The digital economy or e-commerce is an activity of conducting business transactions or economic transactions (selecting goods, messages, buying/selling, payments and advertising) efficiently through gadgets/laptops/computers using internet facilities as the primary media. Initially, the digital economy business in Indonesia began to emerge in 2012 by nine companies (bili.com, bhinneka.com, berniaga.com, Blanja, grazera, kaskus, tokopedia, OLX, multiplay.co.id). The economic business develops wealth distribution through e-commerce activities. Some of the activities carried out include widespread education about e-commerce, promotion through various media, developing human resources in informatics, and improving advanced technology that can realize the success of the digital economy in Indonesia.

The growth of the digital economy in Indonesia is solid, reflected in online sales from 3 markets, which are increasing trend and recorded growth of above 100%. The development of the digital economy not only encourages business activities but also absorbs informal workers. The fast-growing online business also has a positive effect on internet data usage. Digital economic literacy is a combination of financial literacy and digital literacy, namely the skills to understand and use information about the economy from various sources displayed on the internet.

3. METHODS

The approach used in this study is qualitative. The qualitative approach method is scientific research that aims to understand a phenomenon in a social context naturally by using a process of deep communication interaction between researchers and the phenomenon under study. Natural here means that qualitative research is carried out in a natural environment without any intervention or treatment given by the researcher. It is not permissible to manipulate or change the research setting (Moleong, 2014). In this study, the researcher used exploratory, descriptive qualitative research methods. Experimental descriptive method is research that describes the state or status of a phenomenon (Creswell, 2014). In this study, we only wanted to know things related to strengthening MSMEs through the digital economic literacy movement during the COVID-19 pandemic, which increasingly challenged actors to survive and improve their business. Scientific works are also developed using a literature review approach or literature study. The theory/concept approach is carried out by referring to several sources, such as books, scientific journals, and the internet.

4. RESULTS

Based on the results of observations and interviews with the Center for Integrated Cooperatives and Micro, Small and Medium Enterprises in Central Java Province, on average, MSMEs experienced a decline in turnover during the Covid-19 outbreak. This happens because of the reduced activities carried out outside the home, difficulties in obtaining raw materials due to transportation constraints, and the decline in public confidence in outside products, especially in the culinary field. MSMEs are one of the pillars of the economy because they also provide many jobs; with this covid-19, some have also started to lay off or lay off temporary employees because their companies/businesses have to close temporarily.

Another finding based on observations was that not all MSMEs felt a decrease in sales turnover and had to close their business; MSMEs were still stable and experienced an increase in sales turnover because they made adjustments in terms of products and carried out several

marketing strategies to survive. MSMEs can do several things, including choosing to open new product lines or updating their marketing system, because businesses that can survive are responsive to changes in their environment. The following is an illustration of the Economic Statistics of MSMEs affected by Covid-19 sourced from the Office of Small and Medium Enterprises Cooperatives of Central Java Province 2020:

Perbandingan Aset UMKM Sebelum dan Setelah Pandemi Covid-19

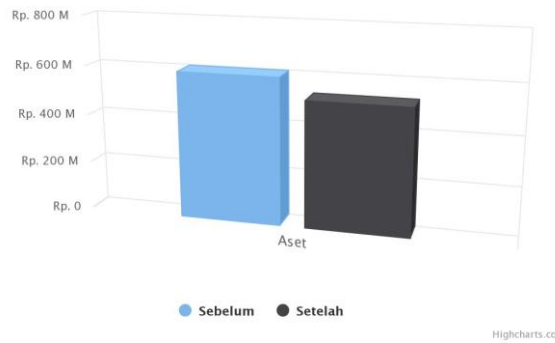


Figure 01. Comparison of MSME Assets Before and After the Covid-19 Pandemic

Perbandingan Hutang UMKM Sebelum dan Setelah Pandemi Covid-19

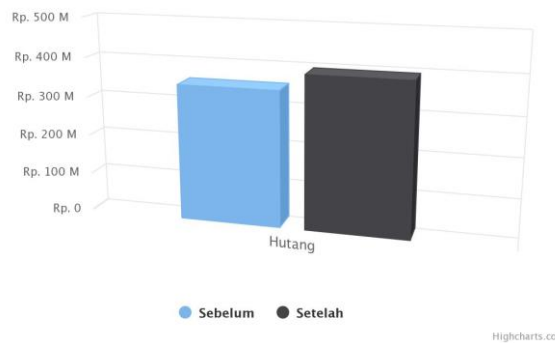


Figure 02. Comparison of MSME Debt Before and After the Covid-19 Pandemic

Perbandingan Omzet UMKM Sebelum dan Setelah Pandemi Covid-19

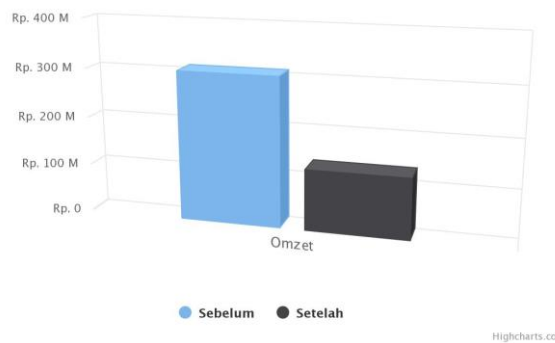


Figure 03. Comparison of MSME Debt Before and After the Covid-19 Pandemic

Perbandingan Tenaga Kerja UMKM Sebelum dan Setelah
Pandemi Covid-19

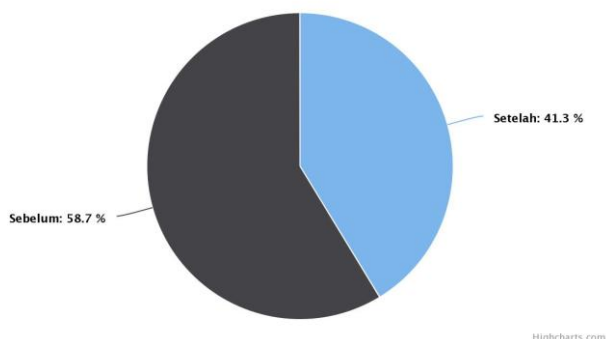


Figure 04. Comparison of MSME Workers Before and After the Covid-19 Pandemic

REKAPITULASI UMKM

No.	Kategori	Jumlah UMKM	Aset			Omzet			Tenaga Kerja			Hutang		
			Turun	Tetap	Naik	Turun	Tetap	Naik	Turun	Tetap	Naik	Turun	Tetap	Naik
1	Makanan/Minuman	18906	18092	811	3	18547	356	3	14676	4212	18	114	6140	12652
2	Fashion	1990	1927	62	1	1976	13	1	1685	303	2	11	1024	955
3	Handycraft	853	839	14	0	849	4	0	709	144	0	5	302	546
4	Dan Lain-Lain	4963	4413	549	1	4612	351	0	2933	2029	1	28	1585	3350

5. DISCUSSION

In the era of the COVID-19 pandemic, many sectors have been affected, as is the case in the MSME sector, which is feeling the impact of this pandemic. Based on data from the Ministry of Cooperatives and SMEs, around 37,000 MSME actors are affected during this pandemic. If this continues, there will be an economic crisis. This is undoubtedly very worrying because the MSME sector is one of the drivers of the economy

Indonesia. It is the primary driver of the Indonesian economy. As in 2018, the MSME sector was able to contribute 60.34% of Indonesia's GDP. In addition, there are 116 million workers absorbed by the MSME sector in Indonesia or 97.02% of the total workers in Indonesia.

The impact of this pandemic is very worrying. A survey conducted by the Katadata Insight Center (KIC) on MSME actors showed that only 5.9% of MSMEs were able to get positive results during this pandemic. MSMEs are trying a lot offline, online, or a combination of the two. There are many ways to get through this pandemic. However, internet access and the digital readiness index of these business actors indicate that these MSMEs are not fully ready to switch to digital immediately. Because of this, the strategy for increasing digital economic literacy must continue to be improved.

One of the efforts to realize digital economic literacy for MSMEs is to provide MSME facilities to go online, which is expected to be able to produce 8 million Indonesian MSMEs that can enter the online market platform, which was developed in mid-2017 and carried out with all related parties to increase public awareness, including MSMEs, on the use and motivate online market platform programs to make MSMEs as merchants in the online market in Indonesia.

To support this development, the steps taken are: 1) conducting socialization and collaborating with related parties to hold a Coordination Meeting/Focus Group Discussion and

submission of a Cooperation Agreement (PKS) with stakeholders; 2) Facilitate communication to increase awareness of the 8 million MSMEs go online facilitation program that will be carried out until 2019; 3) Holding workshops and mentoring for MSMEs to know how to market their products online; 4) Make a recapitulation with e-commerce players to observe the achievement of the development from MSMEs to e-MSMEs; 5) Evaluate the economic activities that have been carried out.

The purpose of MSMEs going online is to provide opportunities for broader market share for MSMEs in Indonesia, both domestically and abroad, to be able to increase sales and revenues both domestically and from abroad. The increase in MSME business using collaborative online and offline sales transactions is expected to attract more consumers through increased promotions, increased product sales, market share and increased profits. The role of the online sales platform provides convenience and can bring together online consumers without meeting in a physical box, and e-MSMEs are made easier without having to have a real shop that requires large rentals/costs

6. CONCLUSION

The COVID-19 pandemic that occurred in Indonesia impacted instability in the economy, especially for MSMEs. These MSME actors felt a direct impact in the form of a decrease in sales turnover due to the government's appeal and the implementation of the PSBB, which urged the public to stay at home so that quite many MSMEs had to stop operating for a while. For this reason, MSME actors must have a strategy to survive during this pandemic and are required to be able to adapt to the conditions that occur.

There are several recommended development strategies that MSMEs can do to be able to maintain their business, namely 1) developing a formal, non-formal and informal education system by designing a curriculum according to the needs in developing the digital economy of MSME actors, 2) increasing digital literacy skills through the millennial generation as the main actors because they are more technology literate and can be used as agents of change, 3) conduct training, focus group discussions, courses and ongoing technical guidance for the development of MSME actors, 4) create learning media in the form of online motivational videos to support independent learning for actors business, 5) providing assistance in product marketing through technical applications in the application of e-commerce 6) fostering the entrepreneurial spirit of the millennial generation through entrepreneurship classes either through training, seminars, bi technical assistance and e-learning 7) conduct ongoing training and monitoring out of training.

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