

The Role of Transportation and Logistics Infrastructure in Increasing MSMEs in Indonesia (Study in the New Normal Era)

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ABSTRACT

Background: One of the development priorities in the Government Work Plan (RKP) is the development of Micro, Small and Medium Enterprises (MSMEs). This is based on the fact that MSMEs have made many contributions to the national economy. MSMEs are the largest population of entrepreneurs in Indonesia. The existence of these MSMEs was able to withstand the crisis from 1997 to 2012 and even increased significantly in terms of both quality and quantity. One of the important supports for increasing MSMEs in Indonesia is transportation and logistics infrastructure which functions to improve the efficiency of raw material flows, delivery of goods, information and productivity. The Covid-19 pandemic that is currently occurring around the world has had a major impact on the global economy, the cessation of production activities and decreased purchasing power of society that threatens the existence of MSMEs coupled with PSBB (Large-Scale Social Restrictions) regulations which limit the number of transportation and logistics to operate. **Research objective:** to analyze the role of transportation and logistics infrastructure in increasing MSMEs in Indonesia (studies in the new normal era). **Research method:** observational qualitative descriptive analysis. **Results:** The results showed that transportation and logistics infrastructure played an important role in improving MSMEs in Indonesia, especially in the new normal era where all mobility was limited by still applying health protocols and strict supervision.

Keywords: Infrastructure, Transportation Logistics MSMEs, New Normal Era

1. Introduction

WHO (World Health Organization) on March 11, 2020 announced that Covid-19 was a pandemic. On that date, the number of positive cases of Covid-19 reached 121,000 cases (Saragih et al, 2020). On April 13, 2020, President Joko Widodo officially declared Covid-19 a national disaster. This determination is stated in the Presidential Decree of the Republic of Indonesia Number 12 of 2020 concerning the Designation of Non-Natural Disaster for the Spread of Corona Virus Disease 2019 (Covid-19) as a National Disaster (Cabinet Secretariat of the Republic of Indonesia, 2020).

Coronavirus (Covid-19) is one of the main pathogens that attacks the human respiratory system. Previous outbreaks of the coronavirus (CoV) include the acute respiratory syndrome (SARS) - CoV and the Middle East Respiratory Syndrome (MERS) -CoV which have occurred before which are characterized as agents that are a major public health threat. At the end of December 2019, a group of patients were admitted to the hospital with an initial diagnosis of pneumonia with unknown etiology. These patients are epidemiologically associated with seafood and animal markets in Wuhan, Hubei Province, China (Rothan & Byareddy, 2020; Raharusuna et al, 2020;

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Gou et al, 2020; Bhat et al, 2020; Liu et al, 2020).

The Covid-19 pandemic not only threatens health for humans but has also affected the global economic downturn (Shangguan et al, 2020). The sectors most affected are aviation, transportation, hotels and restaurants. The all-uncertain situation due to Covid-19 has further aggravated global financial stability (Mas'udi & Winanti, 2020).

To accelerate the handling of the Covid-19 pandemic, the Indonesian government issued a number of policies as outlined in regulations. Among them are Government Regulation of the Republic of Indonesia Number 21 of 2020 concerning Large-Scale Social Restrictions in the Context of Accelerating Handling of Covid-19. Technically, this regulation is outlined in the Regulation of the Minister of Health of the Republic of Indonesia Number 9 of 2020 concerning Guidelines for Large-Scale Social Restrictions (PSBB) (Saragih et al, 2020). The Covid-19 pandemic and the PSBB regulations have had a number of impacts on the logistics system in Indonesia.

PSBB, with the exception of the transportation of goods, has experienced several obstacles, such as disconnection of the supply chain. A supply chain cut has an impact on the logistics system in Indonesia, such as railroad transportation, which decreased from April 1, 2020 to May 6, 2020, which decreased by around 49.34% (Directorate General of Land Transportation, 2020). The decline was also experienced by truck transportation reaching 60% (Mayasari, 2020). Likewise, the transportation of goods using sea transportation has decreased by 2.31%. Transportation of goods using air has also decreased by 15% (Azka, 2020).

The same thing was also conveyed by the Minister of Transportation (Budi Karya Sumadi), who stated that transportation and logistics were the sectors that were most affected by Covid-19. The transportation business has experienced a decline in turnover starting from 30%, even in the aviation sector there has been a decrease in turnover of more than 50%. The disruption of the transportation system is a shocking effect on the logistics sector. This is because the logistics sector is based on transportation. Therefore, with the existence of stops and PSBB regulations, most of the transportation operations have become choked up and affect the costs borne by the logistics operator (<https://www.beritasatu.com/>).

UMKM cannot be separated from the Indonesian people today, because the existence of UMKM is very useful in distributing people's income. On the other hand, MSMEs are also able to create creativity that is in line with efforts to maintain and develop elements of tradition and culture of the local community so that regional potential can be recognized by many people through the products developed (Anggraeni et al., 2015; Lumbanraja et al., 2017). MSMEs in the national economy have an important and strategic role in economic growth for both the Indonesian nation and other countries. In addition, MSMEs can overcome unemployment problems and improve community welfare (Sunariani et al, 2017). MSMEs are productive efforts to develop that support economic development both at macro and micro levels (Suci, 2017). However, with the Covid-19 pandemic, MSMEs are facing a number of problems, one of which is the decline in sales. In addition to decreasing sales figures, other problems faced by MSMEs are capital problems, hampered distribution, difficulty in raw materials, decreased production and layoffs so that MSMEs need to carry out strategies to be able to survive in the midst of the Covid-19 pandemic.

One of the strategies that can be carried out by MSMEs is through an online system (e-marketing), where using an online system will not violate government regulations regarding social distancing. Through the role of technology, business activities and distribution of goods

can still be done. This is done so that MSMEs do not just stop and the distribution of goods will continue (Awali & Rohmah, 2020).

According to Ahmad M Ramli (Director General of Post and Information Administration (PPI Kominfo) stated that during the Covid-19 pandemic the number of online shop transactions increased by 400% and is predicted to continue in the new normal era, the marketplace platform will get competition from large retailers to minimarkets. also opening online services to delivery here the role of logistics is very important in improving the sustainability of MSMEs (May 22, 2020).

Currently, Indonesia has entered a new phase in handling covid-19, namely the new normal. New normal is a condition where people can return to their activities, work, worship as usual, but with a new design (Taufik & Warsono, 2020). Various health protocols have been prepared by the government, including in the field of transportation and logistics, including using masks, maintaining distance and washing hands regularly, besides that all employees in the transportation and logistics sector must be healthy and free from Covid-19 in providing services.

2. Literature Review

2.1 MSMEs

MSMEs have different meanings in each literature according to agencies or institutions even according to law. According to Law Number 20 of 2008 concerning Business, Micro, Small and Medium Enterprises, MSMEs are defined as follows:

- A micro business is a productive business owned by an individual and / or an individual business entity that meets the criteria for a Micro Business as stipulated in Law Number 20 of 2008.
- Small Business is a productive economic business that stands alone, which is carried out by an individual or business entity that is not a subsidiary or branch of a company that is owned, controlled, or is part of either directly or indirectly from a Medium or Large Business that meets the criteria of a Business Small as referred to in this Law.
- Medium Enterprises are productive economic enterprises that are independent, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part of, either directly or indirectly, with Small or Large Businesses with total net assets or annual sales proceeds as regulated in this Law.

Based on wealth and sales proceeds, according to Law Number 20 of 2008 Article 6, the criteria for micro businesses are:

- Has a net assets of not more than Rp.50,000,000.00 (fifty million rupiah) excluding land and buildings for business premises; or
- Has annual sales proceeds of not more than IDR 300,000,000.00 (three hundred million rupiah).
- The criteria for small businesses are as follows:
- Has a net asset of more than Rp.50,000,000.00 (fifty million rupiahs) up to a maximum of Rp.500,000,000.00 (five hundred million rupiah) excluding land and buildings for business premises; or
- Has annual sales revenue of more than Rp. 300,000,000.00 (three hundred million rupiah) up to a maximum of Rp. 2,500,000,000.00 (two billion and five hundred million rupiah).

Meanwhile, the criteria for medium enterprises are as follows:

- Has a net asset of more than Rp. 500,000,000.00 (five hundred million rupiah) up to a maximum of Rp. 10,000,000,000.00 (ten billion rupiah) excluding land and buildings for business premises; or

- Has annual sales revenue of more than Rp. 2,500,000,000.00 (two billion and five hundred million rupiah) up to a maximum of Rp. 50,000,000,000.00 (fifty billion rupiah).

In the general explanation of Law Number 20 of 2008, MSMEs are business activities capable of expanding employment and providing broad economic services to the community and can play a role in the process of equalization and increase in community income, encourage economic growth and play a role in realizing national stability (Rosmadi , 2019). Another definition states that MSMEs are the main pillars of the national economy that get equal opportunities, support, protection and development as widely as possible as a form of firm siding with the people's economic business groups without neglecting the role of large enterprises and state-owned enterprises. MSMEs can be in the form of individual companies or partnerships such as firms and CVs or limited liability companies (PT) (Trisnawati, 2016).

The Central Statistics Agency (BPS) provides a definition of MSMEs based on the quantity of labor, namely home industries have a workforce of 1 to 4 people, small businesses have a workforce of 5 to 19 people, while medium enterprises have a workforce of 20 to 99 people. (Susanti, 2009).

In its development, MSMEs are classified into 4 (four) groups, namely:

- Livelihood Activities, are MSMEs that are used as job opportunities to earn a living, which are more commonly known as the informal sector. For example: street vendors.
- Micro Enterprise, is an UMKM that has the character of craftsman but not yet entrepreneurial.
- Small Dynamic Enterprise, is an SME that has an entrepreneurial spirit and is able to accept subcontract and export work.
- Fast Moving Enterprise, is an UMKM that has an entrepreneurial spirit and will transform it into a Big Business (UB) (Meliala, 2014).

2.2 Logistics Management

Logistics is a science that is constantly evolving. The Logistics Management Board defines logistics as the process of planning, implementing, and storing raw materials, in-process inventory, finished goods and related information from place of origin to consumption for customer confirmation purposes (Kerap et al, 2017).

According to Bowersox (2006) as cited by Lestari and Haksama (2017) logistics management is a strategic management process for moving and storing goods, spare parts, finished goods from suppliers to customers. Bowersox, Vloss and Cooper (2013: 37) logistics management consists of five key activities as follows:

- Facility Network Design: Factories, warehouses, depot locations, cross-wharf operations, and retail stores. The facility network creates the structure from which logistical operations are carried out, it also defines job tasks related to customer order processing, warehousing inventory and material handling.
- Inventory Management: Procurement and storage of raw materials, components, work in progress and finished goods. The goal in an inventory strategy is to achieve the desired customer service with a minimum supply commitment.
- Order Processing: Management and exchange of information, communication, data transmission, and data processing, import / export of documentation. In most supply chains, customer requirements are transmitted order forms and this order processing involves all aspects of managing customer requirements from initial order receipt, delivery, invoicing, and collection.

- Warehousing, Material Handling and Packaging: storage, cargo handling equipment, loading and unloading, containerization. Also includes break-bulking, repackaging and quality checks. This logistics functionality is also an integral part of the logistics operations solution.
- Transportation: Physical movement of inventory from one place to another using different types of carriers, shipping costs. Three factors are fundamental to transportation performance:
 - 1) Costs. Transportation costs are payments for shipping between two geographic locations and costs associated with maintaining inventory in transit.
 - 2) Speed. Transport speed is the time it takes to complete a certain movement.
 - 3) Consistency. Transport consistency refers to the variation in the time it takes to make a particular movement for more than a number of shipments. Consistency reflects dependence on transportation.

2.3 *New Normal*

New Normal is a condition where social, economic, political and cultural activities run as normal, but with a new culture that puts forward the safety of human values that is better than the original state (<https://balitbanghub.dephub.go.id/file / 318>). Some things related to the New Normal or the new Normal are such as maintaining a distance, then frequently cleaning parts of the body that are infected with the corona virus, for example washing hands, and still using a mask in everyday life.

Regarding this New Normal, the Ministry of Health (Kemenkes) has published a complete guide to the implementation of the new normal in the Minister of Health's Decree number HK.01.07 / MENKES / 328/2020 concerning Guidelines for the Prevention and Control of Covid-19 in Office and Industrial Workplaces in Supporting Business Continuity in Situations Pandemic.

3. Research Methodology

The research method used in this research is qualitative research. The qualitative method is a study by means of understanding the social world and how to express understanding with language, sounds, images, personal style and social rituals (Daymon & Holloway, 2000). certain situations according to the opinion of the researchers themselves and to understand the object under study in depth (Raco, 2010). The approach in this research is non-participant observational, that is, the researcher is not actively involved in the informant's life but only becomes an independent observer.

4. Results

Covid-19 has an impact on various economic sectors, one of which is the existence of MSMEs that really needs special attention, because MSMEs are the largest contributor to GDP and are a mainstay in absorbing unemployment, substituting the production of consumer goods, substituting the production of consumer goods or semi-finished goods. The role of MSMEs is very important in the Indonesian economy. Data from the Ministry of Cooperatives and Small and Medium Enterprises of Indonesia in 2018 shows that the number of MSME business units is 99.9% of the total business units or 62.9 million units. The absorption capacity of MSMEs is 97% of the total employment, 89% of which is in the micro sector, and can contribute 60% to gross domestic product (Awali & Rohmah, 2020).

The existence of economic turmoil that is so extraordinary that MSMEs are considered capable of facing an economic slowdown related to current conditions. Chairman of the Indonesian MSME Association (Akumindo) Ikhsan Ingrabatun estimates that the turnover of MSMEs in the non-culinary sector has decreased by 30-35% since Covid-19, the cause is that sellers only rely on face-to-face or physical meetings between sellers and buyers. The appeal from the Government regarding social distancing which was announced on March 15, 2020 also predicts that it can have a serious impact on the absorption of MSME products. Therefore, it requires more attention from the government to the UMKM sector as the main driver of the nation's economy. Not only that, the impact of Covid-19 has also changed the business behavior of entrepreneurs in running their businesses. Although the impact of Covid-19 has been felt by various industrial sectors, it does not mean that MSME players must stop running their business. However, MSMEs can still try to keep running their business through an online system (e-marketing) where this will not violate government regulations regarding social distancing rules. In an e-marketing system, logistical support is needed by MSME players to increase the efficiency of the flow of materials and goods, information, and money, which will also have an impact on their productivity. In the procurement of raw materials, for example, a logistics system is needed to consolidate the purchasing process of the actors whose volume is relatively small so that it is expensive. With consolidation, the volume of procurement will be high so that it is cheaper because there are discounts on the purchase and delivery of raw materials (<https://supplychainindonesia.com>).

The e-commerce business in Indonesia has developed very rapidly. It can be seen in the last few years that the e-commerce business has become a trend and has become an opportunity for doing business in the community. The fast growth of e-commerce can provide opportunities for companies engaged in the e-commerce business. Opportunities can be seen by e-commerce business actors so that they can collaborate with logistics service providers to provide solutions to e-commerce logistics management problems that can be seen from the aspects of quality, cost, and time (<https://supplychainindonesia.com>).

According to katadata.co.id in Teknologi.id, e-commerce buying and selling at the global level has increased rapidly. This can be seen from the value of e-commerce transactions or online stores which are predicted to exceed 230% in 2021 to US \$ 4.48 trillion or equivalent to Rp.60,467 trillion. This data can be seen in the graph below:



Source: katadata.co.id

Figure 1. E-Commerce Growth

Based on data from the Central Statistics Agency (BPS), in the last 10 years the Indonesian e-commerce industry has increased by 17 percent with a total number of e-commerce businesses reaching 26.2 million units (<https://wartaekonomi.co.id>).

The rapid growth of e-commerce orders also occurred in March 2020, to be precise after the Corona Virus (Covid-19) outbreak spread in Indonesia. The Corona virus has had a significant impact on the economies of countries affected by the virus, including Indonesia. The increase in digital shopping occurred because people prefer to buy their needs online, this is in line with the implementation of government policies, namely work from home (WFH) and an extension of the study period at home.

The growth of e-commerce in current conditions opens up great opportunities for freight forwarding services between regions, both domestic and abroad, to be able to contribute to the shipping process. Courier services also play an important role in supporting the smooth running of a company's business that requires fast and safe delivery services.

In a situation related to the current spread of the Corona Virus, a number of local governments have made policies to minimize activities that involve large numbers of people, one of which is an appeal for entrepreneurs to close office activities and enforce WFH. However, in the midst of this policy, several goods delivery service companies still employ field officers who serve customers, ranging from customer service, couriers, to drivers. This was done because people's enthusiasm for online shopping was increasing amid the Corona Virus pandemic. Since the spread of the Corona Virus in Indonesia, a number of goods delivery service companies have recorded an increase in shipments of goods reaching 80%. In current conditions, about 60% to 70% of company shipping transactions come from e-commerce. However, there are also freight forwarding companies that state that the increase in shipments is not so significant or even has decreased.

Although currently online buying and selling activities are considered to be the best solution that can be done to reduce consumer concerns and also prevent the risk of transmission between people, of course there are special regulations and preventive measures imposed by goods delivery companies in pandemic conditions like this. This preventive action is taken as an effort so that the delivery of goods from online buying and selling transactions is not disrupted by the pandemic. Some of these preventive steps include requiring employees to wear masks and gloves both when sorting goods, picking up goods, to delivery and always checking the body temperature of all employees. In addition, several companies have also instructed to spray disinfectants on all branches and each package to be sent and provide education on anticipatory efforts and prevention of the spread of the virus through each delivery station.

5. Conclusion

The results showed that transportation and logistics infrastructure played an important role in improving MSMEs in Indonesia, especially in the new normal era where all mobility was limited by still applying health protocols and strict supervision.

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