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**Covid-19 Pandemic: The Effectiveness of Utilizing  
Micro Business Productive Assistance (BPUM) for  
MSMEs**

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**Abstract**

This study examines the impact of the COVID-19 Pandemic on MSMEs and how the effectiveness of utilizing business capital assistance paid by the government affects their survival during the COVID-19 Pandemic. Through a survey of 110 respondents (namely debtors/beneficiaries), this case study finds that the COVID-19 Pandemic has caused business delays, so the government assistance program has become the key to MSME business continuity during the COVID-19 Pandemic. With government assistance, the business actors in the sample of this study could maintain their business. Even though the overall labor force is decreasing, and income is decreasing, some small, medium, and micro-enterprises can maintain or even increase workers and their turnover due to government assistance. This study recommends continuing the assistance program for MSMEs by loosening requirements and focusing on new beneficiaries in an integrated MSME database. The assistance program needs to integrate with financial literacy and MSME innovation programs in the future. The policy implication of this study is that the government's economic recovery plan during the future recession needs to target MSMEs.

**Keywords:** Effectiveness of Utilization, Business Capital Assistance, MSMEs

**Introduction**

The COVID-19 Pandemic has dramatically affected the national and global economies. Different companies face different problems with different levels of loss. In particular, the company is facing various problems such as declining demand, distribution chain disruptions, order cancellations, raw material shortages, and transportation disruptions. Today, many companies are very dependent on their routine business transactions from small customers such as micro, small, and medium enterprises (Williams & Schaefer, 2013). Many Micro, Small, and Medium Enterprises (MSMEs) operating during the Pandemic ran out of stock. Some MSMEs were barely operating anymore. However, it is pretty clear that companies worldwide are experiencing a significant impact of the COVID-19 Pandemic on their businesses.

Globally, it is estimated that the impact of the COVID-19 Pandemic will cause global GDP growth to only be 2.3% to 4.8% (Asian Development Bank, 2020). In addition, the impact of the Pandemic was previously predicted to cause global foreign direct investment to shrink by 5%-15% (United Nations, 2020). Furthermore, according to the UNCTAD report, the world needs a stimulus package of up to \$2.5 trillion to tackle the crisis (United Nations, 2020). Therefore, based on these statistics, globally, the COVID-19 Pandemic is worse than the 2008 crisis (UNCTAD, 2020).

Many argue that the primary victims of this pandemic outbreak are micro, small & medium enterprises (MSMEs) because, usually, MSMEs, when compared to large companies, do not have adequate resources, primarily financial and managerial, and are not prepared to face such disturbances which are likely to last longer. Longer than expected (Bartik et al., 2020; Prasad et al., 2015).

MSMEs are the backbone of the economy in many countries, especially in Indonesia, because they provide income and create jobs for many people around them. Currently, the number of MSMEs in Indonesia is around 64 million and absorbs 117 million workers or

97% of the workforce absorption of the business world, corporations absorb the remaining 3%, and overall, in the last 10 years, the MSME sector has contributed more than 50% of GDP. In 2019, the contribution of MSMEs to GDP reached 60.3%, although, in 2020, it decreased by around 20% due to the COVID-19 pandemic crisis (BPS Release September 2020).

The entire community feels the impact of the COVID-19 Pandemic. One of the most affected community groups is Micro, Small, and Medium Enterprises (MSMEs). The results of the Inspectorate General of the Ministry of Finance survey at the beginning of the Pandemic on June 1, 2020, identified that the incomes of the poor, vulnerable to the poor, and informal sector workers were the most affected, namely 22.74% did not work, 2.52% were affected by Termination of Employment (PHK), 18,34% worked (temporarily laid off), and 56.40% worked (BPS, 2020).

In 2020, the first year the fiscal stimulus was launched, the government allocated around Rp.695.4 trillion for the COVID-19 Handling (PC) and National Economic Recovery (PEN) programs. Of this amount, Rp123.46 trillion, or 17.7% of the total PEN allocation, was allocated to MSMEs (Bank of Indonesia, 2020). The amount of budget allocation targeted at MSMEs reflects the government's priorities and the significance of MSMEs for the National Economy.

Furthermore, in 2021, the government will allocate a PEN budget of Rp. 699.43 trillion, an increase of about 5% from last year's allocation or 20.23% from last year's PEN budget realization. Rp699.43 trillion, allocated to MSMEs, reached Rp.184.93 trillion, or around 26.4% of the total PEN 2021 budget. The PEN budget for MSMEs increased by almost 50% from the PEN budget targeted for MSMEs in 2020.

During the COVID-19 Pandemic, the PEN Program is expected to correct the deeply contracted aggregate demand and aggregate

supply. The PEN program on-demand (consumption) side includes social assistance, namely the family of hope program, basic food cards, electricity subsidies, non-Jabodetabek cash assistance, Jabodetabek essential food assistance, and Village Fund BLT, and Pre-Employment Cards (ministry of finance, 2020). The PEN program on the supply side includes interest subsidy programs for ultra-micro and MSMEs, placement of government funds in banks as a liquidity buffer for implementing banks, guarantees for working capital loans for MSMEs, state equity participation in SOEs, and tax incentives for the business world (DjPb Report, 2020).

This study links and enriches the existing literature by analyzing the impact of COVID-19 and investigating the impact of government policies during the COVID-19 Pandemic. In contrast to previous studies with a broader focus, this research uses an in-depth case study approach with a more specific scope. The author explores four types of policies for MSMEs implemented by the government during the Pandemic: KUR, UMi, interest subsidies/margin subsidies, and BPUM. The four programs are the government's priority programs during the COVID-19 Pandemic and are integrated into the Handling of COVID-19 (PC) and the National Economic Recovery Program (PEN). The COVID-19 Pandemic is different from other existing disasters, and the government's assistance or intervention program is still relatively new.

This study aims to identify the impact of the COVID-19 Pandemic on MSMEs in Palopo City and to find out the benefits of the State Budget (APBN) pending used for government intervention programs for MSMEs during the COVID-19 Pandemic. The results of this study are expected to provide insight primarily for policymakers and for MSME actors or beneficiaries of the President's Assistance for Productive Micro Enterprises (BPUM).

## **Literature Review**

### *MSMEs for the Economy*

Studies in various countries have proven the role of MSMEs as drivers of economic growth, job providers, and poverty alleviation (Al-Hyari, 2020), (OECD, 2017), (Y. Wang, 2016). The OECD (OECD, 2017) states the critical role of SMEs in developed countries where SMEs play a role as the primary provider of employment, contributing to around 70% of existing jobs. In line with this, (Al-Hyari, 2020) explained the vital role of SMEs in the economy through the average contribution to the provision of employment in various countries reaching around 80%. (Ndiaye et al., 2018) emphasized that MSMEs have also proven to be a motor of economic growth and a driver of employment in developing countries.

The study results of (Ndiaye et al., 2018) were also found in Indonesia, where the (Coordinator Ministry for the economy, 2020) reported that in 2018 MSMEs contributed around 61.07% of GDP and 97% contributed to the workforce. The contribution of the MSME sector to total non-oil and gas exports was around 14.37%. The critical role of MSMEs indicates that programs that focus on MSMEs can help MSMEs affected by COVID-19 and effectively help alleviate poverty.

#### ***Impact of the COVID-19 Pandemic on MSMEs***

During the COVID-19 Pandemic, business actors were one of the most affected elements of society. Before the COVID-19 Pandemic, using data from 119 developing countries, Wang (Y. Wang, 2016) proved that access to finance was the biggest problem faced by SMEs. The Pandemic resulting in the economic crisis certainly had an even more significant impact. Lu (Lu et al., 2021) researched that during the COVID-19 Pandemic, SMEs experienced a decline in short-term income and the inability to work and produce. After surveying 3,194 SMEs in Sichuan, China, they found these results due to the COVID-19 Pandemic.

The study results of Lu (Lu et al., 2021) are supported by Gregurec (Gregurec et al., 2021), who explained that SMEs tend to adapt to the changing environment due to COVID-19 to change their business models to cope with the disruption caused by the Pandemic. They found that SMEs' focus on transformational initiatives was to rely on social media platforms and mobile technology. Ratnasingam (Ratnasingam et al., 2020) proved that during the COVID-19 Pandemic, all aspects of the business experienced an impact where financial management and value chain disruption were the main obstacles to SME business operations during the COVID-19 Pandemic.

Burhan (Burhan et al., 2021) studied SMEs in the food trade sector in Pakistan and found that the impact of the COVID-19 Pandemic on SMEs in the sector was quite significant. In line with this, Zimon (et al., 2021) stated that SMEs have the most significant problems running a business in Poland. Border blockades and quarantines for companies in all industries across Poland greatly complicate supply systems and inventory management processes. They researched inventory management among companies during the COVID-19 Pandemic and found changes in inventory management strategies in SMEs during the COVID-19 Pandemic. The common thread from these various studies is that during the COVID-19 Pandemic, most SMEs were affected, which needs to be intervened by the government's aid policy.

### *Government Intervention for MSMEs during the COVID-19 Pandemic*

Studies on MSMEs also discuss the relationship between government assistance and MSMEs. Burhan (Burhan et al., 2021), in their research, recommends that Government assistance be one of the things most needed as a rapid response to COVID-19 for SMEs,

in addition to building networks with stakeholders, the willingness of business actors, and the existence of formal planning. The study of Burhan also converges with the Amuda study (Amuda, 2020), emphasizing the significance of government assistance as a form of policy SMEs need during the COVID-19 Pandemic. In particular, Amuda's research (2020) recommends collaboration between the Government and SME leaders to provide digital platforms so that business actors can continue to operate. Similarly, SMEs in Saudi Arabia, as researched by Adam & Alarifi (Adam & Alarifi, 2021), during the COVID-19 Pandemic, need external assistance that positively impacts innovation practices more for business continuity and not on performance. External assistance can be direct (such as financial assistance) or indirect (e.g., consultation, assistance from a team of experts and educational institutions). It mainly assists SMEs in managing cash and relaxing restrictions so that business actors' value chains can be restarted.

Park & Lee (Park et al., 2020) researched Korea and found interesting empirical evidence. Using a sample of 42,261 SMEs in Korea, their results show that financial resources from the Korean government have helped the survival of SMEs in Korea but have not been very beneficial in helping them obtain higher annual assets and sales growth. They conclude that if government assistance or assistance is combined with public loan financing, it will increase annual assets and sales growth.

Belghitar (Belghitar et al., 2021) conducted a study of 42,401 UK SMEs and found that government intervention affected their capacity to survive the Pandemic. The study found that 59% of SMEs experienced decreased income and reduced survival from 164 days to 139 days without government assistance. In Germany, Dorr (Dörr et al., 2021), using data on 15 million businesses, found that small businesses are experiencing financial pressure and can only go bankrupt without government policy assistance. If the

importance of Government assistance for SMEs has been proven, Wang et al. (S. S. Wang et al., 2021) conducted a more complex study in which they built a model to identify which assistance was most effective for SMEs.

Various government intervention studies have linked MSME innovation with the performance of business actors see (Caballero-Morales, 2021) & (Lisa, 2019). Caballero-Morales, in his research, emphasizes the importance of innovation as a recovery strategy for SMEs during the COVID-19 Pandemic and in the post-COVID-19 period. Furthermore, one of the recommended innovations is the use of digital resources as the primary facilitator in social distance. She (She et al., 2020) argue that to be involved in globalization, research and development are more critical, while the size of the effort is not more important than the research itself. Lisa (2019) identified that entrepreneurial behavior and organizational innovation simultaneously affect organizational performance. Likewise, in Indonesia, Hutahayan & Yufra (Hutahayan & Yufra 2019), through their study of SMEs in the food sector, prove that the pace of innovation development increases the competitiveness of SMEs. Still in the context of innovation, the urgency of digital learning during the COVID-19 Pandemic can be done through the digitalization of the Pandemic, according to them, to support the sustainability of SMEs (Bai et al., 2021).

In Indonesia, the government's programs to support MSMEs are varied. This study assesses whether the government's program is beneficial for MSMEs during the COVID-19 Pandemic, focusing on Micro Business Aid (BPUM). The research topic was taken because this program (BPUM) was only implemented during the COVID-19 Pandemic.

During the COVID-19 Pandemic, the government carried out countercyclical measures when the economy weakened. The government intervened as a stimulus for economic improvement.



Expansive fiscal policy, especially during this Pandemic, has become an umbrella for Government intervention on MSMEs, which aims to help business actors affected by the COVID-19 Pandemic.

In 2020, the government introduced Assistance for Micro Business Actors (BPUM). BPUM is government assistance in the form of money given to micro-enterprises originating from the APBN. BPUM is given an amount of IDR 1.2 million at once for micro-business actors who meet specific criteria. These funds can be channeled directly to BPUM recipients or channeled through distributors. BPUM distributors are State-Owned Enterprise Banks (BUMN), Regional-Owned Enterprise Banks (BUMD), and PT. Pos Indonesia is determined by the Budget User Authority (KPA). Micro-enterprises who can obtain BPUM include those who have never received BPUM funds, have received BPUM funds for the previous fiscal year, and are not currently receiving KUR.

### **Method**

The research method is qualitative research by using a case study approach. Alam (2021) argues that if qualitative studies focus more on questions starting with "what," then case study designs are more broadly used for studies whose research questions begin with "how" and "why." Case studies are very suitable for research that studies a phenomenon where the behavior of the actors involved in the study cannot manipulate. The context conditions are very relevant to studying the phenomenon in research.

Case studies are appropriate for studies where the boundaries between phenomenon and context are unclear. Research on the impact and effectiveness of using Government assistance programs for MSMEs is closely related to the specific context of Indonesia, including the political, economic, and social contexts. These impacts cannot analyze without considering the context. The data used is primary data in a questionnaire-google form distributed to 110

respondents, including respondents from policymakers and debtors/beneficiaries of government assistance. The questionnaires were distributed in the Palopo City area, including nine sub-districts. The selection of the questionnaire based on the 9 sub-districts was due to a more even and adequate level of distribution of respondents in data collection.

This research was conducted during the COVID-19 Pandemic, and questionnaires were distributed online via Google Form, which was sent via the WhatsApp application to the number each respondent. The unit of analysis in this case study is the effectiveness and impact of the Government assistance program on MSMEs in the form of Productive Assistance for Micro Enterprises (BPUM).

The following activities were designing research, developing questionnaires, conducting virtual field surveys through a Google form questionnaire, and reporting research findings, results, general discussions, conclusions, and recommendations. The development of the questionnaire was carried out in two steps. First, formulate research questions guided by literature study, develop themes, and relate them to research questions. Second, to improve the quality of responses and provide confidence and protection of respondent confidentiality, the questionnaire was developed anonymously and explained that the questionnaire was used only for research. The population of this study is MSMEs in Palopo City, with a total of 13,196 business actors and sampling techniques using a random sampling system (Palopo City Cooperatives and SMEs Office, 2020 & 2021).

#### ***Questionnaire Administration***

Respondents in this study focused on debtors/beneficiaries totaling 110 respondents. Of the total respondents, 60% were male, and 40% were female. Based on age, dominated are respondents by productive age, namely 66 respondents in the age range of 20-40

years, 42 respondents in the age range of 41-60 years, and 2 respondents in the age range of 61-80 years. Meanwhile, the characteristics of respondents based on education level showed that the majority of respondents were high school graduates with a frequency of 73 people or 66%, and respondents who graduated from elementary school were 1 person or 1%. In comparison, respondents were junior high school graduates with a frequency of 15 people or 14%, and bachelor's degrees respectively 21 people or 19%.

### ***Method of collecting data***

The main data source used in this research is primary data in a questionnaire to 110 respondents of MSME actors. In addition, this research utilizes secondary data, namely from scientific papers/journals, newspapers, web data, government regulations, and official government reports.

### ***Data analysis method***

The analytical method used in this study is to relate data to propositions and build explanations, as elaborated by Alam (2021). Based on the data collected, the authors then stabilized the data, conducted data validity, linked the data to research questions, did pattern matching, and built the theme of the research results. Strategy This study uses a triangulation strategy to mitigate bias in case study research. Triangulation carried out in this research is the triangulation of data sources and data types. The phenomena studied in this study are studied and explored from various perspectives.

## **Results**

### ***Government Assistance Policy for MSMEs***

Secondary data analysis found that government intervention in MSMEs has long been carried out with various program

nomenclatures. In general, the government's program for MSMEs aims to increase the productivity and competitiveness of MSMEs. During the COVID-19 Pandemic, assisting is to maintain business continuity by reducing the burden on business actors. This study tries to analyze how the COVID-19 Pandemic has impacted MSMEs in Indonesia and how Government intervention has restrained this impact and helped MSMEs. To maintain business continuity for MSMEs, the government launched KUR, UMi, interest subsidies/margin subsidies, and BPUM.

Interest subsidy/margin subsidy is one of the National Economic Recovery Programs (PEN) mandated in PP no. 23 of 2020 concerning the Implementation of the National Economic Recovery Program to Support State Financial Policies for Handling the Corona Virus Disease 2019 (COVID-19) Pandemic and Facing Threats That Endanger the National Economy and Financial System Stability and Rescue the National Economy. Interest subsidies/margin targeted are subsidies at Ultra Micro and MSMEs.

Micro Business Productive Assistance (BPUM) or MSME Direct Cash Assistance (BLT) was introduced in August 2020 through the Minister of Cooperatives and SMEs Regulation No. 6 of 2020 concerning General Guidelines for the Distribution of Government Assistance for Micro-Enterprises to Support National Economic Recovery in Facing Threats That Endanger the National Economy and Saving National Export Development during the COVID-19 Pandemic. In the first phase of 2020, BPUM amounted to Rp. 21.86 trillion in 2020, targeting 9.11 million micro-enterprises.

BPUM is government assistance in the form of money given to micro-enterprises originating from the APBN. BPUM is given to micro-entrepreneurs to run their businesses during a crisis due to the COVID-19 Pandemic within the framework of the PEN program. BPUM is given once in the form of Rp. 600,000.00/month or a total

of Rp. 2,400,000.00, which is channeled directly to the account of the BPUM recipient, namely micro-business actor.

This case study shows that almost all debtor respondents or government beneficiaries (90% of 110 respondents) stated that their businesses were affected by the COVID-19 Pandemic. The answer is in line with their response about whether their efforts survived or stopped. As many as 81% said they persisted but were hampered, 10% continued to survive and run smoothly, and the remaining 9% said their business had stopped during this Pandemic. This research evidence indicates the magnitude of the impact of the Pandemic on MSMEs and the significance of Government intervention for affected business actors.

The findings of this study indicate that of the 110 respondents from debtors/beneficiaries, 72 respondents (65.3%) said they experienced a reduction in the workforce, 2 respondents (1.7%) said an increase in the workforce, and the remaining 36 respondents (33%) state that the workforce is permanent. This finding is interesting because it proves that even in times of crisis, there are still business actors who experience an increase or maintain their workforce, which is around 34.7% of respondents. This shows that MSMEs are the primary employment providers at regular times and during the COVID-19 Pandemic. BPS noted that the open unemployment rate during the Pandemic rose significantly, and in February 2021, it reached 6.26% (BPS, 2021).

When asked about the main problems they faced during this COVID-19 Pandemic, debtors/beneficiaries responded with the most answers being capital experienced by around 64% of respondents. The remaining 36% of respondents answered that their problems were related to business permits, employment, technology, and other issues. The data above explains that capital assistance is the most needed assistance by business actors during the COVID-19 Pandemic.

### ***Characteristics of Businesses Recipient of Government Assistance***

A questionnaire on a sample of 110 debtors/beneficiaries showed that most of the respondents who received government assistance were in the micro and small business category, which was characterized by around 98.2% of respondents with sales <Rp 2 billion/year. However, when juxtaposed with the data on the employees they employ, more than 96.9% of respondents have a workforce of 1 to 25 people, characteristic of micro-enterprises. This is in line with various studies that define the number of workers in micro-enterprises as less than 50 workers, small businesses with 50 workers, and medium enterprises with more than 50 workers (Jahangiri et al., 2019). This study confirms data from the Coordinator Ministry for the economy (2020) that micro-enterprises dominate business actors in Indonesia.

The results of this research analysis can be explained that the distribution of Government assistance has been directed to the sectors most affected during the COVID-19 Pandemic, such as food traders and retail traders, services, processing industries, including creative industries, accommodation, and transportation. BPS (2021) reports that the 3 business sectors most affected by COVID-19 are accommodation, food and drink, other services, and transportation and warehousing.

### ***Benefits of Government Assistance for MSMEs***

The findings from this study indicate that business actors have felt the benefits of the Government for MSMEs during the COVID-19 Pandemic. When asked about the benefits of government assistance, most respondents, around 95%, stated that the government assistance they had received was practical and very effective in helping their businesses, with details of effective (50%) and very effective (45%). Only 1 in every 20 respondents (5%) said that Government assistance had not helped. One respondent stated that the government's financial assistance was not practical because

of the PPKM policy, which is expected to be abolished soon. This is, of course, for MSMEs who have not moved to the digital market and still rely on the physical market.

Nearly 95% of the debtor/beneficiary respondents said that the government assistance had helped them maintain their business. In line with this, all (100%) of the debtor/beneficiary respondents stated that the assistance had helped the sustainability of their business.

Although this research provides evidence regarding government assistance benefits, access to Government programs has not been evenly distributed. This is evident from the data on the distribution of BPUM per province as of December 31, 2020, which recorded that almost 45% of BPUM was distributed in Java, while very little was realized in Eastern Indonesia (DJPK 2021, n.d.). A similar distribution map was also seen in 2014, where 50% of MSMEs are in the Java region (Kemeperin, 2015).

Understandably, MSMEs are still centered on Java in that 56.1% of the population in Indonesia is domiciled on the island of Java (BPS, 2021). Even though the data on the distribution of BPUM is equivalent to the number of MSMEs in the region, it is still necessary to try to take sides with MSMEs outside Java. The perception of program inequality is still shared by at least 5 respondents who formulated policies in this study who expressed their hopes in the future that the assistance program for MSMEs could be even more evenly distributed.

### ***Data Validity***

The issue of data validity is not only an obstacle in terms of policy formulation but also in terms of monitoring the Government aid budget. Invalid data can result in the inappropriate allocation of targets resulting in inefficiency and ineffectiveness.

MSME data is currently managed in a fragmented system in various government agencies (Pempus and regional governments)

such as the Ministry of Finance, the Coordinating Ministry for the economy, and non-governmental organizations such as banking and non-banking distributors. Indonesian data in One Portal (one data) in data.go.id shows that MSME data is spread across various institutions. Law No. 11 of 2020 concerning Job Creation has mandated the establishment of a single database that is used as consideration for determining policies regarding MSMEs.

### ***Limitations of Innovation***

The analysis results conclude that business actors have not intensively carried out innovation during the COVID-19 Pandemic. Adjusting to new work patterns is a must to survive during the Pandemic. Innovation can help business actors maintain business continuity while achieving profit. Around 50% of respondents said that they innovated during the Pandemic. As many as 35% of respondents said they did not innovate, and the remaining 15% said they did not know. This finding supports previous research that innovation has not been carried out by all business actors, which is in line with a study conducted by the OECD (2017) and also confirms the study of Caraka (Caraka et al., 2021), which concludes that lack of creativity is a significant issue for SMEs in Indonesia.

With its various limitations, MSMEs cannot be expected to innovate independently. The implication is that future government assistance needs to be integrated with the innovation program carried out by MSMEs. Innovation can enable MSMEs to survive in times of crisis and be a solution to the main problems of MSMEs in Indonesia, which have difficulty advancing to class and have not been able to compete in the global world.

### **Discussion**

Evidence in research shows that the COVID-19 Pandemic has impacted MSMEs in Indonesia. Most recipients of government assistance have felt the benefits of government assistance. The findings of this study have also been proven in other jurisdictions



such as Malaysia (Ratnasingam et al., 2020), Pakistan (Burhan et al., 2021), Poland (Warsame, 2020), and China (Lu et al., 2021). Government assistance has been proven to assist MSME actors.

Government assistance has been directed at sectors where MSMEs operate. If the role of MSMEs in providing labor in regular times has been widely proven, this study provides new evidence that even in times of crisis, MSMEs are still able to maintain and provide jobs. Issues related to working capital as the main issue MSMEs face are in line with previous research (Tran et al., 2017).

Capital is closely related to operationalization and business continuity, especially in times of crisis. This research adds to the evidence that constraints related to capital issues are one of the main obstacles for MSMEs, especially during the COVID-19 Pandemic, apart from other issues such as marketing, technology, business permits, and labor. This research also confirms the results of the Ssenyonga study (Ssenyonga, 2021), which recommends that in Indonesia, strengthening and expanding government programs is needed to support businesses and communities, employment, SMEs, and trade.

The recommendations given in this study also share the same spirit as Lampdarios et al. (2017), who argues that the success of SMEs is a multidimensional phenomenon, where internal and external factors of the business need to be optimized simultaneously. This research also increases the urgency of developing an integrated and no longer fragmented MSME Data Center to increase the validity of MSME data. Valid MSME data will undoubtedly facilitate policymakers, policy implementers, and supervisors and increase the effectiveness of Government assistance for MSMEs.

Prijadi et al. (2020) conclude that most micro-enterprises do not use funding from formal institutions. Business owners are more likely to rely on financing from non-formal institutions. There is a tendency for MSME actors in Indonesia to be more interested in

online loans through Financial Technology (FinTech) based on the ease and speed of obtaining loans. This condition is exacerbated by current conditions wherein in this digital era. Many fintech offers credit with easy access but with uncompetitive interest rates. One of the critical success factors found was massive socialization.

Of the 4 policies that became the research object, the researcher did not find any Government assistance programs associated with the MSME innovation program. The OECD study (2017) supports this and identifies that not all MSMEs in various countries have innovated. The poor financial literacy of the sample in this study and limited innovation confirms the study of GarcíaPérez-de-Lema (García-p et al., 2021), which states that financial literacy impacts business innovation. Especially during a pandemic, innovation is needed.

### **Conclusion**

The economic recession caused by the COVID-19 Pandemic requires Government intervention, including for SMEs. This study concludes that the COVID-19 Pandemic has impacted the slowdown of economic activity, including in the MSME sector. There are MSMEs whose businesses are surviving. Some are hampered or even have their businesses stopped. Government assistance to MSMEs during the COVID-19 Pandemic has been directed to business actors whose businesses are included in the sectors most affected by the Pandemic. Government intervention is beneficial, at least for business actors to survive when there is a decline in economic activity. In addition, the benefits of government assistance can be seen through the increase in business turnover experienced by the majority of respondents.

The primary keys to the success of the government's assistance program for MSMEs include massive socialization of MSMEs, dynamic and adjusted regulations, low-interest rates, and access to technology for business actors. However, the program for MSMEs

is not yet fully optimal because various factors such as data validity are still an issue. After all, MSME data is fragmented in various institutions, one obstacle to formulating more optimal policies and supervision.

The suggestions given by this research are expected to be used by the government and stakeholders. Relaxation/simplification of aid requirements still needs to be carried out so that business actors can access government programs more efficiently. Government assistance will not be practical without the most comprehensive possible opening of access coupled with good governance to support accountability. In addition, the government needs to increase the priority of assistance for new debtors/prospective beneficiaries. The integration of MSME data between agencies in the Central Government, such as the Ministry of Finance, the Coordinating Ministry for the economy, and the OJK, can provide solutions so that the system can identify new debtors. In addition, to integrate data with MSME actors in the regions, the Central Government needs to intensify coordination with local governments, which also have MSMEs being fostered.

To support the distribution process, it is necessary to refine further and develop the information system. At the same time, massive and tiered information system training is needed, especially for MSME distributors. In distributing aid that involves various parties, the government needs to strengthen the network and encourage national banks to create information system innovations to support the various efforts that the government has made. An integrated MSME database needs to be built immediately to facilitate the process of policy formulation, implementation, and monitoring of policies, including increasing the effectiveness of targeted assistance.

Integration of MSME assistance or assistance programs with innovation. Government assistance programs are expected to be

integrated with efforts to encourage a culture of innovation. The right innovation environment can encourage MSMEs to create new products/services under the conditions during this Pandemic, increasing their ability to survive and even compete in a globalized world.

The policy implication of this research is that interventions carried out by the government in the context of poverty alleviation in the future need to be directed at MSMEs. The findings of this study indicate that MSMEs can survive and increase the provision of jobs even during times of crisis.

As a case study that explores the context in-depth, the study uses a research protocol to generate causal relationships (internal validity). However, to increase the generalization (external validity) of research findings into different contexts, this research can be the basis for future research agendas that will further investigate government intervention against MSMEs outside the researched area.

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