

# ABS 154

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**Increasing The Economic Value Added of MSMEs Brebes  
in The COVID-19 Pandemic Period**

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**ABSTRACT**

The COVID-19 pandemic has economic, social, and political implications for not only major countries but almost all countries in the world. Indonesia is one of the countries affected especially on the economic side. Indonesia, which is dominated by Micro, Small and Medium Enterprises (MSMEs), needs to pay special attention to this sector because the contribution of MSMEs to the national economy is quite large. The increasing number of COVID-19 cases will certainly weaken the national and international economy. This service activity aims to increase economic added value to MSMEs during the COVID-19 pandemic. This activity was carried out in Brebes, Central Java. As for researchers, approximately 70 MSME owners consisting of various types of businesses are in the food sector, craftsmen of flip-flops, written batik and many more. Then, researchers tried to analyze how to increase the economic value added to MSME owners during the impact of the COVID-19 pandemic on the existence of MSMEs in Indonesia, especially in Brebes Regency and how emergency solutions can help MSMEs survive the COVID-19 pandemic situation. This is done by distributing questionnaires to MSME owners. Based on the results of the

questionnaire distribution, information was obtained that 1) there were 44% of MSME owners experiencing a decrease in sales due to the COVID-19, 2) there were 40% of MSME owners experiencing difficulties in finding raw materials for products, 3) there were 38% of MSME owners experiencing difficulties in finding energy work, 4) there were 48% of MSME owners selling online during the COVID-19, 5) there were 42% of MSME owners who collaborated with local governments in making sales during the COVID-19, and 6) there were 45% of MSMEs working the same as similar MSMEs in making sales during the COVID-19.

**Keywords:** MSMEs, Economic Added Value, Indonesian Economy, COVID-19.

## Introduction

In the past seven months, the impact of the COVID-19 pandemic has been felt for the economic sector. Especially for the thousands of micro, small and medium enterprises (MSMEs) and creative industries in Brebes Regency, Central Java. These impacts range from reduced production to a reduction in the number of employees. The worst case is the cessation of production, which also can increase the number of unemployed. Business units that fall into the category of Micro, Small and Medium Enterprises (MSMEs) are the determinants of regional and national economic development. The Micro, Small and Medium Enterprises (UMKM) sector is a formidable business in the midst of the current economic crisis.

Micro, Small and Medium Enterprises (MSMEs) in Brebes Regency continue to struggle to face economic challenges when the COVID-19 outbreak broke out. Apart from requiring government support, MSME owners need to make breakthroughs and strategies so that they can survive amid the current economic downturn. These MSMEs in Brebes mostly reduce production and lay off

employees. They also continue to struggle to face economic challenges during the COVID-19 pandemic.

Another proof of the <sup>2</sup> strategic role of the Micro, Small and Medium Enterprises (MSMEs) sector is <sup>8</sup> the ability of this sector to become the main pillar of the Indonesian economy. Based on data from the Central Statistics Agency (BPS) 2005, the number of MSMEs reached 42.39 million units or around 99.85% of the total business units in Indonesia and are able to absorb approximately 99.45% of employment from a total of 76.54 million workers ( Krisna Wijaya, Kompas, 2005, p. 21). In addition, the MSME <sup>4</sup> sector is also able to provide around 57% of the needs for goods and <sup>4</sup> services, 19% of which contributes to exports and contributes to national economic growth which reaches 2-4%.

This activity was carried out in Brebes, Central Java. The researchers conducted this research on approximately 70 MSME owners consisting of various types of businesses including in the field of food, sandals craftsmen, hand-written batik and many more. Then, researchers tried to analyze how to increase economic value added to MSME owners during the impact of the COVID-19 pandemic on the existence of MSMEs in Indonesia, especially in Brebes Regency and how emergency solutions can help MSMEs survive the COVID-19 pandemic situation.

MSME sector has various strategic roles, but this sector is also faced with various problems. Constraints and problems include the aspects of capital, business management capability, and the quality of human resources of the managers, then the added value of the MSME economy has not increased during this economic crisis. Other small and informal business constraints and problems are also caused by the difficulty of access to information and productive resources such as capital and technology, which results in limited ability of small businesses to develop.

Economic development should not depend on the involvement of companies or imported products, but on how to empower existing natural resources to meet community needs and become a source of national income. Through MSMEs, empowerment of natural resources can be managed optimally to provide value of a product and service. Therefore, researchers are interested in conducting research entitled **“Increasing The Economic Value Added of MSMEs Brebes in The Covid-19 Pandemic Period.”**

### **Materials and Methods**

**9** The research method used in this research is descriptive statistics method. Researchers collect and describe all the phenomena that occur due to COVID-19 and their impact on MSME businesses in Indonesia, especially in Brebes. In addition, due to limited time and material related to this research, the authors collected several related articles and then draw conclusions from some of these articles.

The research occur for only one day with the holding of a workshop between the research team and MSME owners. Then the research team distributed questionnaires to approximately 70 MSME owners which consisting of various types of businesses including the food sector, sandals craftsmen, written batik and many more.

### **Result and Discussion**

If the spread of the COVID-19 and its effects are not handled quickly, it is feared that the MSME sector will decline. In fact, the MSME sector has been able to absorb up to 97 percent of the workforce or 116.98 million people. The number of MSMEs in 2018 was recorded at 64.19 million

units (99.99 percent). Based on data processing, the results obtained: 1) 44% of MSME owners experienced a decrease in sales due to the COVID-19 outbreak, 2) there were 40% of MSME owners still experiencing difficulties in finding raw materials for products, 3) there were 38% of MSME owners experiencing difficulties in finding personnel work, 4) there were 48% of MSME owners selling online during the COVID-19 outbreak, 5) there were 42% of MSME owners who collaborated with local governments in making sales during the COVID-19, and 6) there were 45% of MSMEs working the same as similar MSMEs in making sales during the COVID-19.

Based on observations, it was found that not all MSMEs experienced a decrease in sales turnover and had to close their businesses, while 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. There are several things that can be done by MSMEs, including choosing to open new product lines or updating their marketing systems, because businesses that can survive are businesses that are responsive to changes in their environment.

Thus, it is hoped that there will be government support to promote cooperation with MSME owners throughout Indonesia so that they can survive and compete in this pandemic situation. However, MSME owners certainly cannot rely solely on credit relief from the government. They also have to make various breakthroughs and strategies in order to survive amid the current economic uncertainty.

### **Conclusions**

Just like in almost all countries, the MSME sector in Indonesia is experiencing the impact of the COVID-19 Pandemic. These impacts include a decline in sales, difficulty in capital, constraints on product distribution, and difficulty in raw materials. <sup>1</sup> No country can predict when the COVID-19

pandemic will end. A simple way to adapt and deal with this pandemic is to prepare short-term and long-term strategies while continuing to hope that a vaccine for the COVID-19 virus will soon be discovered and mass produced.

Based on the discussion described above, the following conclusions can be drawn: (1). The condition of MSMEs in the midst of a pandemic continues to experience a decline in capacity, from production capacity to decreased income, (2). There needs to be a policy in order to protect MSMEs so that they can remain competitive even in the midst of the Covid-19 pandemic, (3). It is necessary to increase the added value of the MSME economy during the pandemic period and (4). And if necessary, MSMEs do product marketing by utilizing digital technology (digital marketing) to reach more consumers.

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