

# Impact of Movement Control Order to Business Sustainability During Covid-19 Pandemic: a Case of Micro Small and Medium Enterprises in Indonesia and Malaysia

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## Abstract

The COVID-19 pandemic crisis has created an opportunity for SMEs to improve the quality of their products or services and develop various strategies for offering goods or services based on their business concerns. The impact of the COVID-19 pandemic on business sustainability among micro-SMEs in Indonesia and Malaysia is highlighted in this paper. We observe some of the business owners to learn what they can do to reduce the impact of the pandemic on their operations, ensure business continuity, and deliver better results in times of crisis. Twenty-five business owners (SMEs) share their experiences in the aftermath of the COVID-19 pandemic. In this case, SMEs Indonesia, as a support for national economic activity in Indonesia, have been severely impacted not only in terms of total production and trade value, but also in terms of the number of workers who have lost their jobs as a result of the pandemic. SMEs with a large number of employees, on the other hand, will find it difficult to maintain overhead costs and implement changes in their business direction. They must reassess market expectations and become more aware of shifting habits. SMEs must investigate new markets and customer segments, launch new products, redesign the size and number of packages that are appropriate and relevant for the new market, and ascertain consumer desires.

## Keywords

Covid-19; Small Medium Enterprises; Outbreak; Business.

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## Introduction

The global spread of the COVID-19 pandemic has had a significant impact on health and the economy in terms of trade, investment, and tourism. Similarly, in Indonesia, the implementation of social distancing causes people to be very cautious by limiting their activities outside their home, affecting various business actors,

including SMEs. SMEs have long been thought to be capable of driving a country's economy. However, since the COVID-19 pandemic, SMEs have been more vulnerable than other businesses. Because this type of business is so reliant on the velocity of money from merchandise sales, a drop in demand disrupts the company's

cash flow. Government policy imposes social and physical barriers to travel and consumption.

The COVID-19 pandemic affects hundreds of thousands of individuals worldwide, including business owners and micro- and small-sized enterprises. Relevant to the sustainability of a business is the extent to which its leaders strategize to maintain or quickly resume business operations in the event of a major disruption. Importantly, because the outbreak is rapidly spreading, business leaders must act swiftly to prevent setbacks. This paper highlights the impact of the COVID-19 pandemic on the business sustainability of micro- and small-sized enterprises in Indonesia and Malaysia. As a support for national economic activity in Indonesia, small and medium-sized enterprises (SMEs) have been severely impacted not only in terms of total production and trade value, but also in terms of the number of workers who have lost their jobs due to the pandemic.

According to a report from the Ministry of Cooperatives and Small Medium Enterprises in 2018, around 64,194,057 of MSMEs (or approximately 99 percent of all business units) in Indonesia employed 116,978,631 individuals (or about 97 percent of the total workforce in the economic sector). SME Corporation Malaysia defines a micro-SME as a company with less than RM300,000 in annual sales or fewer than five employees (SME Corp, 2020). The Malaysian economy is largely driven by small and medium-sized enterprises (SMEs), which account for more than two-thirds of all jobs and nearly 40 percent of GDP.

Consequently, the sector must maintain its resilience in the face of the economic pressures the nation is experiencing as a result of the pandemic. This study aims to examine, through the eyes of micro-entrepreneurs, the crisis management strategy related to sustainability businesses during the COVID-19 outbreak in Indonesia and after its occurrence in

Malaysia. This study includes telephone interviews with two Malaysian micro-entrepreneurs during the second and third phases of MCO (1-month duration). The purpose of the interview is to learn about their disaster recovery and business continuity plans. This study provides valuable insights to agencies or departments involved in small business development programs, particularly for micro-enterprises in rural areas, so that appropriate measures to aid the sector throughout the crisis cycle can be developed.

The economic losses caused by coronavirus vary from business to business. Several factors, such as the type of business, the size of the company, the formal-informal sector, and the company's policies, determine this. Certain types of businesses, such as food and the primary commodity assumed, will continue to exist despite the impact of big scale limited mobility policy. On the other hand, the big scale limited mobility policy will halt secondary needs such as clothing, tourism, and entertainment. The sectors most affected by the coronavirus outbreak are households, MSMEs, industry, and finance (Ministry of Finance, 2020). On the other hand, several types of businesses have expanded, including those that produce paramedic-required medical equipment such as masks and personal protective equipment (PPE). The size of the company has a substantial effect on the various impacts, particularly on the business unit's capital, assets, and financial health. Large investors can manage the effects of COVID-19 with emergency funds until normalcy is restored. In times of crisis, the size of a company as measured by total assets aids businesses in maintaining operations (Prasetyorini, 2013).

In all developing countries, the informal sector predominates. Included among informal workers are those in the home industry, MSMEs, freelancers, etc. While the formal sector consists of civil servants, employees of public companies, police, the military, etc. According to BPS-Statistics Indonesia, 57.27 percent of the workforce,

or 74.08 million people, are employed in the informal sector in 2019. (BPS, 2015). Due to the restriction of social interactions outside the home, the informal sector becomes the most vulnerable sector to the economic crisis during the coronavirus pandemic; consequently, the majority of the informal sector is unable to fully implement the Work From Home (WFH) rules. Consequently, the daily or weekly income is diminished or, in some cases, lost entirely. The company's policies also play a significant role in limiting the coronavirus's current spread. Through the relevant Ministries, the government has issued a Ministerial Regulation that directly regulates companies or business units to prevent the spread of COVID-19 in their business environment.

Furthermore, international collaboration is especially important for researchers at Universitas Bengkulu Indonesia and University Malaysia Kelantan because academic and research international collaboration is a very valuable tool that not only accelerates progress but also improves the quality of work and extends the partners' cooperation. Academic collaboration benefits both the faculty in terms of learning new teaching tools and the students in terms of broadening their knowledge and learning different approaches to problem solving. Academic research is becoming increasingly global. Researchers are reaching out to their colleagues around the world to gain access to specialized equipment, develop new ideas, or access new sources of funding, and their work is better for it. Collaboration with colleagues from various domestic organizations provides a means of mobilizing resources. Collaboration within organizations reflects the research center's elaborated division of labor and the high level of competition between different research groups.

## **Literature review**

### **Micro, Small and Medium Enterprises**

As a pillar of Indonesia's national economic activity, Micro, Small, and Medium-Sized

Enterprises (MSMEs) have suffered significantly from the pandemic, not only in terms of overall production and trade value but also in terms of the number of jobs lost. According to the Ministry of Cooperatives and Small Business, in 2018, 116,978,631 people were employed by Indonesia's 64,194,057 MSMEs, or around 99 percent of all business units (or about 97 percent of the total workforce in the economic sector).

The backbone of the Malaysian economy is SMEs (Zalina et al., 2016). According to the Small and Medium Enterprise Corporation, there are 907,065 SMEs (SMEECorp, 2019). In 2016, the SMEs sector contributed around 98.5 percent of all economic sector company establishments, 36.6 percent of Malaysia's GDP, and 65.3 percent of all employment. Businesses classified as SMEs must have a minimum annual revenue of RM50 million or 200 employees in the manufacturing industry. While SMEs are businesses with a sales turnover of up to RM 20 million or 75 employees or less in the services and other industries (SMEECorp, 2019). Because there are so many SMEs operating in the market, any business or economic crises will unavoidably have an impact on a variety of industries as well as the development of the national economy.

Sadly, the COVID-19 coronavirus outbreak has confirmed negative predictions about the state of the world's economy and people's daily lives. More than 80,000 people have been infected in China, the first country to document the virus' transmission, and on March 11, 2020, the World Health Organization (WHO) proclaimed Covid-19 to be a pandemic (Congressional Research Service, 2020). The virus outbreak has rapidly spread and is anticipated to do so indefinitely over the entire world. Around 735,000 ill cases have currently been recorded from more than 140 countries (Congressional Research Service, 2020; Craven et al., 2020), and the number of cases in the United States, Italy, Germany, France, Iran, and other nations is geometrically rising (Segal & Gerstel, 2020).

However, through a few specific measures, governments, businesses, and individuals still have considerable power to slow the disease's spread (Craven et al., 2020; Smith-Bingham & Hariharan, 2020). Movement control, lockdown, incarceration, and social distance are included in the government's efforts to protect unprecedented public health and economic responses (Craven et al., 2020). Once the outbreak has subsided, the coronavirus may not recover completely (Craven et al., 2020). Malaysia has therefore adopted the Movement Control Order (MCO) in conjunction with the Prevention and Control of Infectious Diseases Act of 1988 and the Police Act of 1967 to cut off the virus's supply chain from March 18, 2020 to March 31, 2020, and then extended to April 14, 2020. The order required the closure of all government, private, and business locations, with the exception of those providing essential services (water, electricity, energy, telecommunications, postal, transportation, irrigation, oil, gas, fuel, lubricants, broadcasting, finance, banking, health, pharmacy, fire, prison, port, airport, safety, defense, cleaning, retail, and food supply) (The New Straits Times, 2020).

### **Sustainability and Business Processes**

According to Slack et al. (2013), when a business attempts to meet the needs of its customers, it will employ a variety of operations and other functions processes. Each of these processes will aid the company in meeting customer demands. When a company decides to reorganize its operations, each product is created from a starting point and progresses through processes containing the necessary elements for production before reaching a final stage. This is referred to as a "end-to-end" process. Frequently, these end-to-end processes span traditional organizational boundaries. Process is the transformation of inputs (resources) into outputs (goods and services) (Armistead and Machin, 1997). Although the literature contains a variety of definitions for 'business processes,' they all adhere to the same ontology: a business

process is a series of continuous or intermittent cross-functional activities that have work flowing through them for a specific outcome/purpose (Slack et al., 2013; Harmon, 2010).

Bititci et al. (2011) disclosed a different business process approach that not only focuses on activities, such as what is done and/or how it is done, but also emphasizes how these activities are interconnected and how workflows can be created through these activities to achieve an efficient and effective outcome. The key point is that transformed resources (such as materials and information) originate from outside the organization, whereas outputs in the form of goods and/or services are exported. The issue's growing significance in the business world has prompted organizations to devote more resources to enhancing resource efficiency and reducing waste production during operations.

Thus, Yusoff et al. (2018) attempt to conceptualize self-sufficient desired growth of SMEs as achieving monetary or financial goals and performances that are somewhat continuous over time within the firm's capabilities, while adjusting and sustaining future business goals without confronting their long-term survival process. Schwab et al. (2017) add to the list by explaining how to achieve sustainable business growth through economic, social, and environmental performance. Another group of researchers, including Arora (2018) in collaboration with Doane and MacGillivray (2001), views sustainability as a tool for long-term survival that considers all three aspects of ecology, economy, and community. According to Jimenez-Zarco et al. (2014), increasing business competition necessitates more than monetary profitability to ensure long-term growth; it also necessitates social, cultural, and ecological sustainability. To achieve long-term business objectives such as expansion, SMEs must develop strategies to train managers in the cultivation of corporate spirituality (Zawawi and Wahab, 2019).

### **Impacts on The Economy and SMEs**

COVID-19 jeopardizes the economic security of people and institutions (Sneader & Singhal, 2020). The pandemic affects not only global health but also the global economic order's structure. Consequently, many economies are experiencing a recession (OECD, 2020). As of March 2020, the Congressional Research Service estimates that the crisis has reduced global economic growth by 0.5 to 1.5 percent. In their Global Capital Confidence Barometer survey, Ernst and Young (2020) found that 73 percent of respondents perceived a severe impact on the global economy, while 27 percent perceived a minor impact. The extensive local and cross-border movement control has impacted the global economy, resulting in the closure of local, national, and international businesses (Smith-Bingham & Hariharan, 2020). As a result, millions of workers are restricted and businesses struggle to regain their footing (Smith-Bingham & Hariharan, 2020; Sneader & Singhal, 2020). Aviation, tourism, travel-related industries, hotels, and restaurants are among the most affected industries during the MCO, whereas staple goods manufacturers, grocery stores, healthcare, pharmaceutical, and agricultural businesses are less affected (OECD, 2020; Segal & Gerstel, 2020).

Coronavirus has a massive impact on global SMEs' business activities. Although strict government policy and response are required to combat the disease, most businesses are vulnerable to negative effects in either the short or long term. Cash flow issues, closure of the operation, layoffs, retrenchment, and diluted firms' capacity for future expansion are major impediments (Craven et al., 2020; Smith-Bingham & Hariharan, 2020). Changes in business strategies, operations, and behavior, as well as pressures to seek new sources and opportunities for redevelopment, are recognized as critical survival challenges for most SMEs (Cassia & Minola, 2012; Svatoovă, 2017; Syed, 2019). However, the effects may vary

depending on the type of business activity, size, and resources owned (Cassia & Minola, 2012). As a result, there is an urgent need to investigate the impact of such phenomena, as there is currently little evidence for practitioners, policymakers, and academic references.

### **Research Methodology**

Since qualitative approaches are not constrained by predetermined categories of analysis, the researcher is able to examine and investigate the selected events, situations, and issues in great depth and detail. In contrast, quantitative methods, according to the author, utilize predetermined response categories and standardized metrics that accommodate multiple perspectives and experiences. Case study methods necessitate a thorough, longitudinal examination of a problem. By collecting data, analyzing information, and reporting the results, this can be carried out methodically to determine what is occurring. Thus, case studies are ideal for developing hypotheses as opposed to testing them.

The case study is a method for studying a complex instance through in-depth description and contextual analysis in an effort to answer the questions why, what, and how. Non-probability sampling is defined as a sampling strategy in which samples are selected based on the subjective judgment of the researcher, as opposed to by random selection. Nonprobability sampling should not be held to the same outcomes or quality standards as probability sampling (Steinke, 2004). This sampling method heavily depends on the expertise of the researchers. It is frequently employed by qualitative researchers and is based on observation.

### **Research Result and Discussion**

#### **Overview of MSMEs in other countries**

MSMEs play a significant part in the economy of Indonesia, as well as the economies of the ASEAN region and

wealthy nations like Germany, the United States, Japan, and South Korea. Approximately 88.8 percent to 99.9 percent of firms in Southeast Asia are MSMEs. These MSMEs employ between 51.7% and 97.2% of the labor force in ASEAN. In ASEAN countries, the contribution of MSMEs to GDP ranges from 24 to 61 percent. In Singapore's bordering countries, the contribution of MSMEs to GDP reached 45 percent. Thailand followed with 37.4 percent, the Philippines with 36 percent, Malaysia with 31.1%, and Brunei Darussalam with 24 percent. Southeast Asian nations' non-oil and gas exports are also supported by MSMEs. In Thailand, the contribution of MSMEs to national exports reached 29.5%, compared to 20% in the Philippines, 20% in Vietnam, and 19% in Malaysia.

MSMEs has also become the foundation for many of the world's developed nations. In Japan, 99.7 percent of all business units are comprised of MSMEs, and 70.2% of all workers are employed by MSMEs. The contribution of the SME sector to Japan's GDP and exports surpasses 50 percent and 54 percent, respectively. To promote the development of small and medium-sized enterprises (SMEs), the Japanese government strives to eliminate conflicts between large business actors and UKM players and to take decisive action against any unfair competition practices that pose a threat to SMEs. Through a linkages program, the Japanese government promotes collaboration between large corporations and small and medium-sized businesses. The Japanese government forbids the admission of major corporations into economic sectors deemed more suitable for small and medium-sized enterprises.

In South Korea, 99.2 percent of all business units are comprised of small and medium-sized enterprises (SMEs), which employ up to 87.5% of the entire labor force. The SME

sector contributes 49 percent of the national GDP and 31 percent of national exports.

As the world's fourth-largest economy, Germany relies largely on MSMEs to sustain the country's economy. German MSMEs have generated 40% of GDP, 70% of employment, and 70% to 90% of the MSME market share on the international stage. The MSME sector contributes 33.7% of all non-oil and gas exports in the United States, the country with the largest economy in the world.

### **MSMEs in Indonesia**

In Indonesia, SMEs contribute significantly to economic growth and social inclusion. According to data from the Ministry of Cooperatives and SMEs, Indonesian SMEs are responsible for around 97% of domestic work and 56% of overall business investment. There is a Micro, Small, and Medium-Sized Enterprises (MSMEs) Law and a ministry dedicated to cooperatives and SMEs in Indonesia. This program for small and medium-sized enterprises (SMEs) must get creative support so that it can create productive jobs and compete on global markets. More than 99 percent of the total number of companies in Indonesia are comprised of small and medium-sized enterprises (SMEs), and 97 percent of these businesses provide employment; however, only 57 percent of these businesses contribute value. The three major industries of small and medium-sized enterprises in Indonesia are agriculture, trade, hotels, and restaurants, and manufacturing. Simple traditional manufacturing activities such as wood products, furniture, textiles, apparel, footwear, and food and drinks comprise another industry. (Indonesia Department of Cooperatives and SMEs, 2017) In Table 1 are also listed the principal classifications of economic sectors. In addition, according to the 2016 Economic Census, there are three non-agricultural Micro, Small Business (UMK) industries whose enterprises are ranked at the top of the national economy.

**Table 1. Main Classification of Economic Sectors**

No	Classification	Description
1.	Agriculture, animal husbandry, forestry, and Fisheries	Includes all kinds of exploitation of (living) biological objects/items of natural origin to fulfill needs or other business
2.	Mining and excavation	The mining and quarrying sector includes the oil and gas sub-sector, the non-oil and gas mining sub-sector, and the quarrying sub-sector.
3.	Processing industry	processing is the activity of converting basic materials (raw materials) into finished / semi-finished goods, and /or from goods of less value to goods of higher value, either mechanically, chemically, by machine, or by hand

The first sector is wholesale and retail commerce. The percentage of UMKM participants in this industry reached 46.17 percent. This industry employed 31.81 percent of the labor force. Except for sorting and repackaging, the wholesale and retail trade sector entails the sale of items in their original form. The second element is the supply of lodging and food and drink. As much as 16.72 percent of MSMEs are active in this industry, with 11.97 percent of the workforce absorbed. Included in the hotel and food supply industry are restaurants, cafes, caterers, and others. This industry employs 22.75 percent of the labor force and is home to 16.53 percent of MSMEs. In the processing sector, raw or raw resources are transformed into semi-finished or finished products that are ready for use or consumption. The garment business, which processes cotton into fabric, and the convection industry, which translates fabrics into clothing, are examples of processing industries.

In the meantime, the spread of the coronavirus has reduced the level of the Indonesian economy, which includes commercial actors. The government contributes Rp 70,1 trillion to the industry, while the private sector contributes Rp 150 trillion. The Ministry of Finance observed that Micro, Small, and Medium-Sized Businesses were disproportionately affected (MSMEs). The Covid-19 pandemic has precipitated a slump in the national and global economies. This is characterized by negative or contractionary

economic growth at the national and global levels. The national economy witnessed a downturn in the second quarter of 2020, with a -5.3% decline in economic growth.

### MSMEs in Malaysia

In theory, the definition and criteria for micro, small, and medium-sized enterprises (MSMEs) in foreign nations are based on the factors of number of employees, income, and total assets. In contrast, the MSMEs criteria in Indonesia, Malaysia, the Philippines, and the World Bank vary. Due to one aspect in the level of the economy in a foreign country, this discrepancy can suggest that the firm is micro, small, medium, or large. Thus, the criteria of each nation reflect the economic standards of that nation or boost the standards of a business in that nation so that the economy of that nation can also grow.

The World Bank gives the following criteria for MSMEs:

#### 1. Medium Enterprise

The maximum number of employees was 300, the maximum annual revenue was \$15 million, and the maximum total assets were \$15 million.

#### 2. Small Enterprise

The number of employees was fewer than 30, and neither the annual income nor the total assets exceeded \$3 million.

#### 3. Micro Enterprise

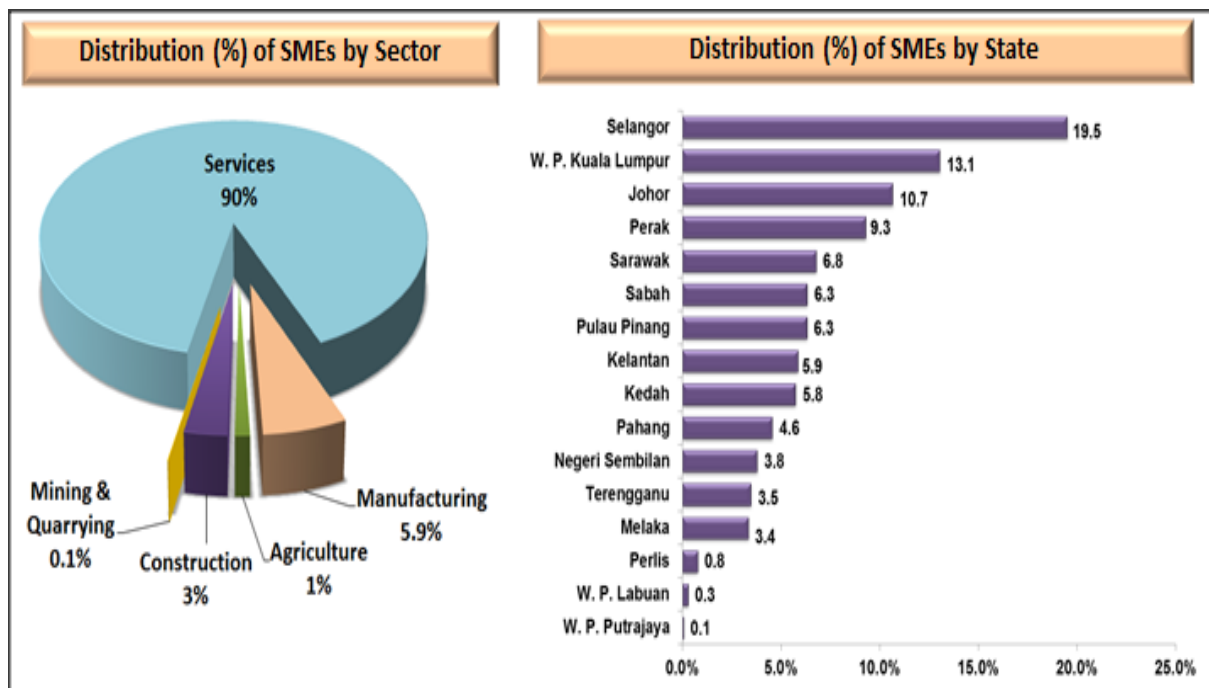
There are fewer than ten employees, the yearly income does not exceed \$100,000, and the total assets do not exceed \$100,000.

The Ministry of SMEs Malaysia (2014) outlined the following criteria for the

manufacturing and service industries as well as other sectors:

**Table 2. The Criteria MSMEs in Malaysia**

Category	Micro	Small	Medium
Manufacture	Sales do not exceed 300,000RM or full-time workers are not more than 5 people	Sales from 300,000RM to 15 million RM or 5 to 75 people for full-time workers	Sales from 15 million RM to 50 million RM or 75 to 200 for full-time workers
Services and others		sales from 300,000RM to 3 million RM or 5 to 30 full-time workers	Sales from 3 million RM to 20 million RM or 30 to 75 full-time workers



**Figure 1. Percentages of MSMEs Sector and State**

90 percent of the MSMEs are in the service sector, while 5.9 percent are in manufacturing and only 1 percent are in agriculture. This demonstrates that Malaysia's economy is no longer centered on the agricultural sector, and its distribution is unequal, being more concentrated in Selangor and Kuala Lumpur, whereas the service sector is more prominent in Selangor.

The COVID-19 epidemic is an unforeseen global phenomena that has destabilized the

economy and completely halted trade. This has had a significant impact on businesses, notably small and medium enterprises (SMEs) and micro SMEs, which account for 98.5% of Malaysian businesses (SME Corporation Malaysia, 2020). The Malaysian government has responded to the threat of the coronavirus by introducing PRIHATIN or Rakyat's Concern Stimulus Package, which aims to alleviate the financial burden on people and businesses facing the pandemic (Malaysian Ministry of Finance, 2020), primarily through the



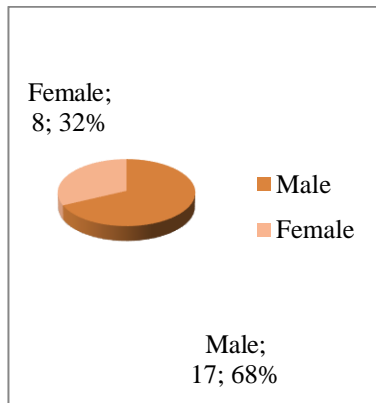
implementation of movement control orders (MCO) issued by the federal government.

However, UKM representatives felt that the stimulus provision was insufficient to assist SMEs (Fong, 2020). This has resulted in the federal government introducing PRIHATIN particularly for SMEs (Malaysian Prime Minister's Office, 2020). Some small and medium-sized enterprises (SMEs) applauded this help (Radhi, 2020), while

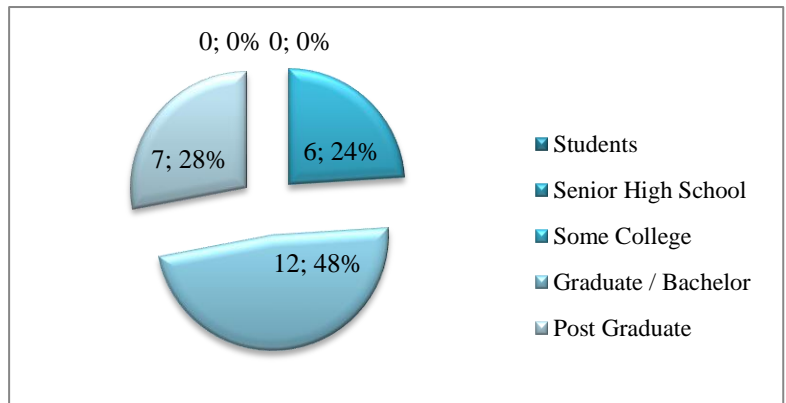
others remarked that the stimulus only allowed SMEs to survive another two months under the MCO (Tan, 2020).

**Characteristics Respondents**

The following diagrams illustrate the Respondent Characteristics used to determine the diversity of respondents, including gender, age, the respondent's most recent academic degree, and other supporting data.



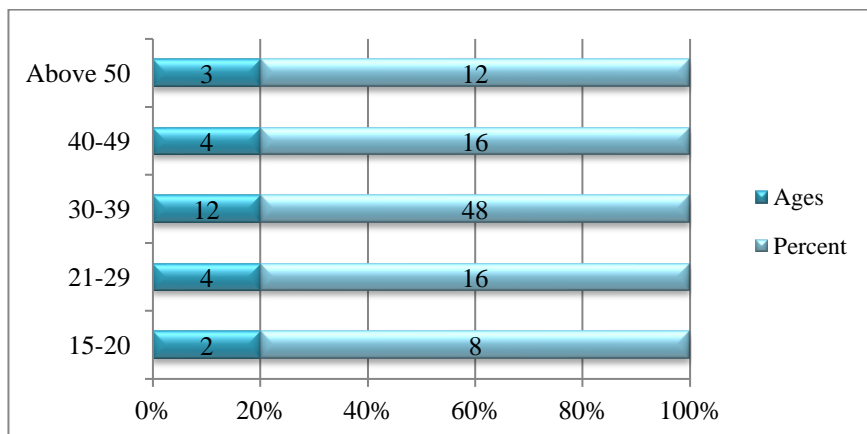
**Figure 2. Sex Respondents**



**Figure 3. Academic Qualification**

Figure 2 shows that male respondents constituted 68 percent of this study's participants, while female respondents constituted 32 percent. Thus, Figure 3 respondents were asked about their highest level of academic achievement: bachelor at 7 (28 percent), student at 6 (24 percent), and high school diploma at 12 (48 percent). Reviewing the ages from 15 to 19 years old

at 2 (8 percent), 21 to 29 years old at 4 (16 percent), 30 to 39 years old at 12 (48 percent), 40 to 49 years old at 4 (16 percent), and over 50 years old at 3 (12 percent). Thus, respondents were asked about their academic credentials: bachelor's degree at 7 (28 percent), student at 6 (24 percent), and high school diploma at 12 (48 percent).



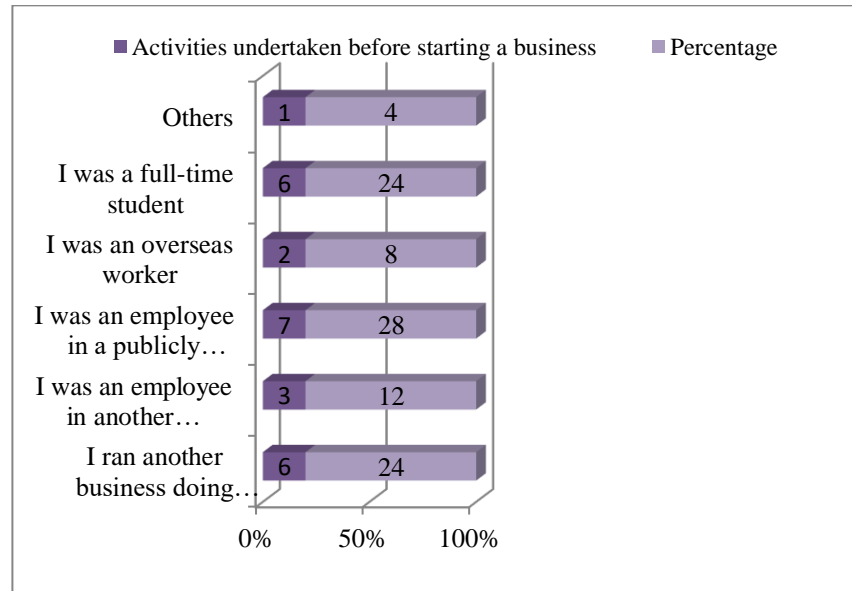
**Figure 4. Respondents Age**

In theory, this indicates that the more education an entrepreneur has, the greater

their income will be. According to Hisrich et al. (2008), despite the fact that some

individuals believe that education has little effect on an entrepreneur, the data indicates the reverse. Education equips an entrepreneur with a solid foundation. Education also gives information for problem-solving, extensive interactions with entrepreneurs, and possibilities for

business research discovery. There is a correlation between the amount of education and the level of income, and human resources can improve the quality of life through a process of education, training, and development that increases job productivity



**Figure 5. The Activity was Undertaken Before Starting a Business**

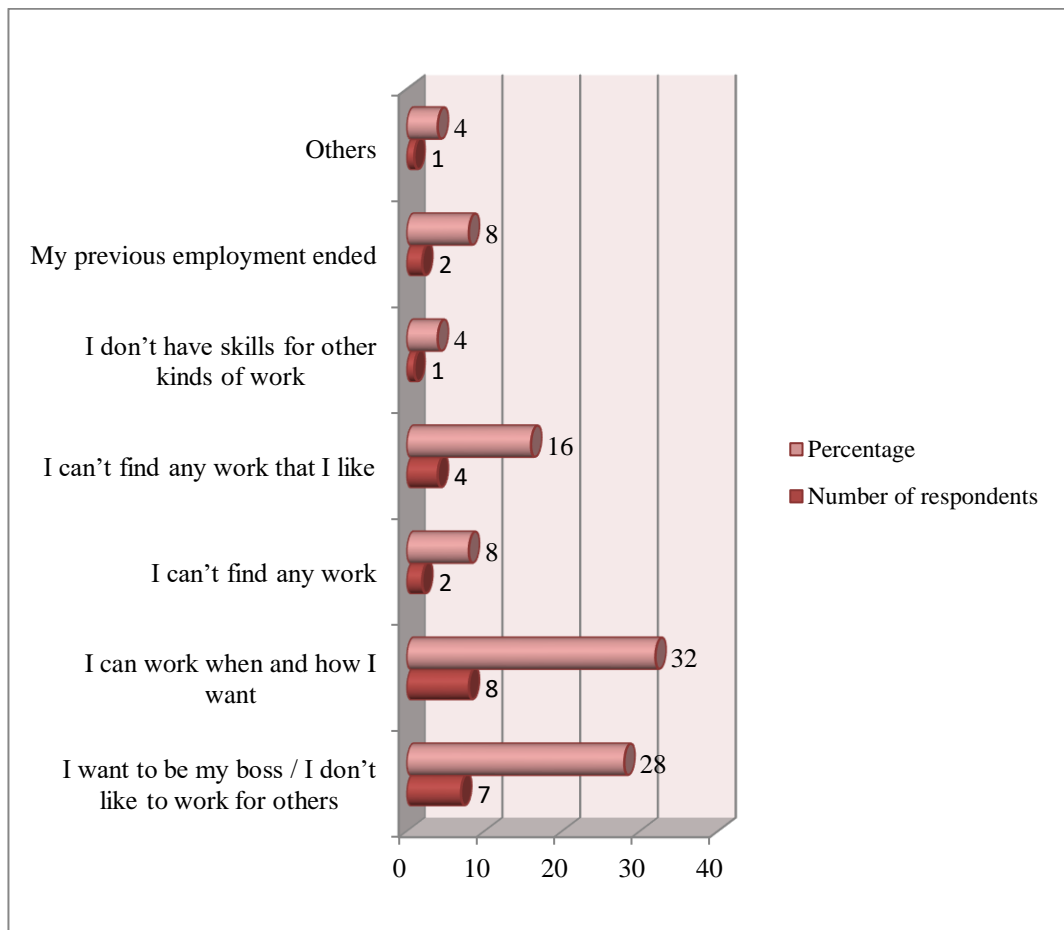
Figure 5 presents the activity being worked on by respondents who are: an employee of a publicly traded company at 7 (28 percent), a full-time student at 6 (24), an overseas worker at 2 (8 percent), and others at 1 (one percent) (4 percent).

Moreover, an entrepreneur's prior work experience can be crucial to the success of the business. An entrepreneur's background consists of the activities they engaged in prior to launching their firm. An entrepreneur who already has job experience, solid managerial skills, a wide range of expertise, and familiarity with a variety of scenarios is more likely to be successful in developing new enterprises than those who have little or limited experience. Hisrich, et al (2008).

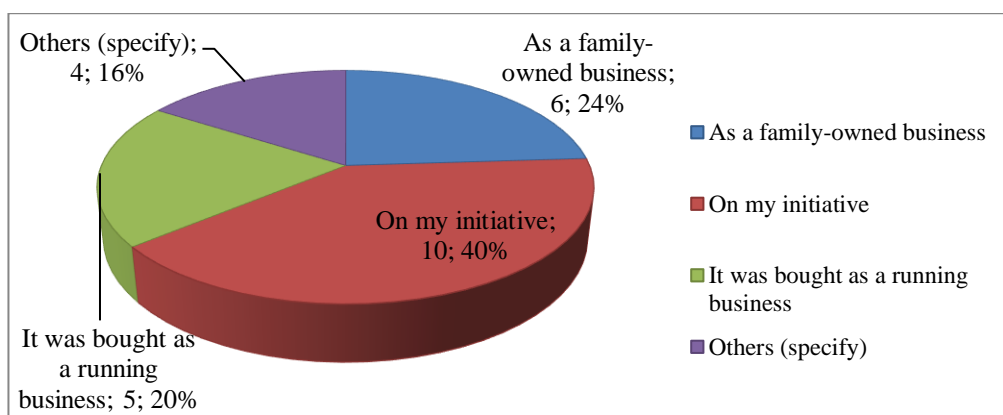
In addition, an indicator of a developed nation is the amount of inhabitants who have entrepreneurial positions. Our nation

still requires several entrepreneurs who can actively contribute to increasing economic progress. In addition to boosting output and per capita income, the function of entrepreneurship in economic development includes initiating and implementing structural reforms in company and society (Hisrich et al., 2008). According to Mc Clelland in Suryana and Bayu (2015), a country will be developed if at least 2% of its inhabitants are entrepreneurs. According to the Minister of Cooperatives and SMEs, the number of entrepreneurs in Indonesia in 2015 was still 1.65% of the population. (Sasongko, 2015).

This number is significantly lower than the number of entrepreneurs in neighboring nations. 7 percent of Singaporeans are entrepreneurs, compared to 3 percent in Thailand and 5 percent in Malaysia (Wjl, 2015). In light of these statistics, it is vital to strengthen the entrepreneurial spirit in Indonesian society.



**Figure 6. Reason for being business**



**Figure 7. Business Started**

There are numerous responses to the question of how this firm was founded, including my initiative 10 (40 percent), family business 6 (24 percent), bought as a running business 5 (20 percent), and others mention 4 (four percent) (16 percent ). Because a family's influence on an individual's personality is significant, the

family business is one of the factors that motivated them to start a business. In daily life, family members have an effect on one another. Typically, a person's talent matches the talent he acquired from his parents or grandparents. Similar to a person's passion in entrepreneurship, there are numerous cases of an entrepreneur's

success as a result of continuing his parent's firm.

Basrowi (2011) encourages individuals to become entrepreneurs by the following:

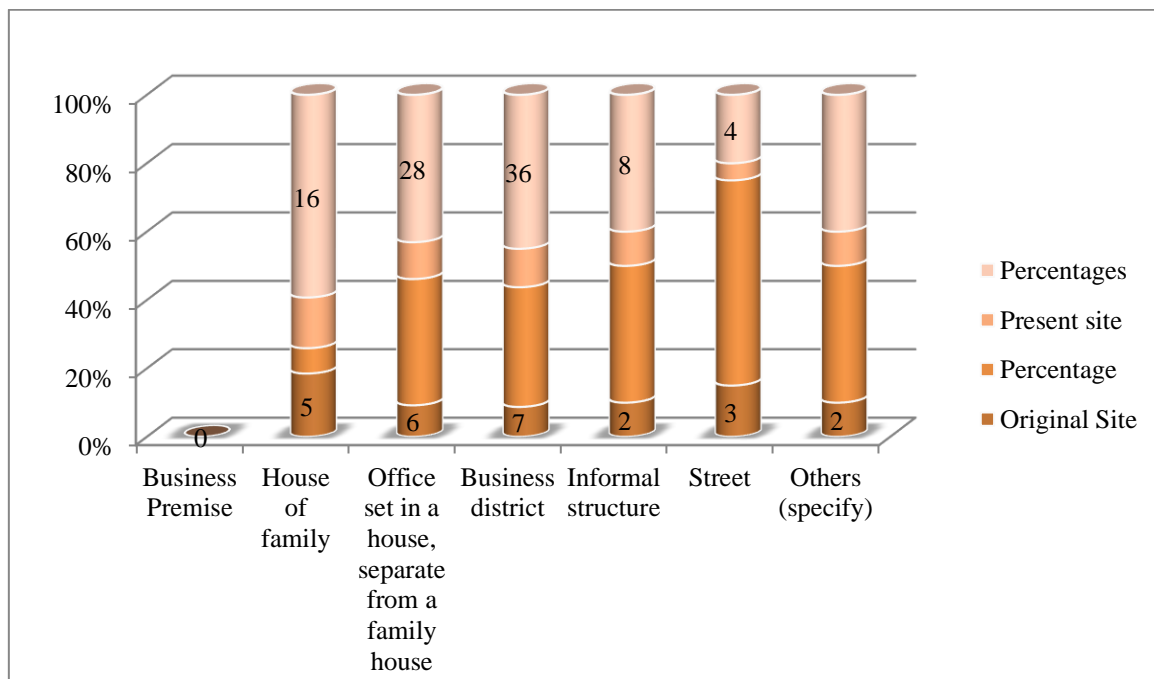
First, profit. An entrepreneur can select how much profit will be earned and how much will be distributed to other parties and employees.

2. Freedom. This is an instance of desiring freedom to manage time, freedom from

pushing norms, and freedom from corporate culture rules.

3. personal aspirations Freedom to attain the desired standard of living, unfettered by tedious labor routines. The benefits of declaring your mission, vision, and aspirations

4. Independence. Possess a sense of pride since you can achieve independence in all areas.



**Figure 8. Business Operated**

Figure 8. reveals that business districts accounted for 7 (36 percent) of respondents, offices located in a residence for 6 (28 percent), family homes for 5 (16 percent), informal structures for 2 (8 percent), the street for 3 (4 percent), and others for 2 respondents. E-implementation commerce's of an online shop system will make it simpler for customers to order the needed items without having to visit a physical store, saving them time and space.

In the meantime, the COVID-19 pandemic has impeded the expansion and existence of MSMEs, resulting in a decline in their income. Prior to the coronavirus outbreak, the aim for the contribution of MSMEs to the economy from 2020 to 2024 is an 18

percent increase in exports from the 2020 target. The contribution of MSMEs is projected to reach 30,2 percent in 2024. The contribution to the national GDP is projected to reach 61 percent in 2020 and 65 percent in 2024. The 2020 aim for the entrepreneurial ratio is 3.55 percent, and the 2024 target is 4 percent. There are five primary schemes for the protection and recovery of MSMEs from the occurrence of Covid-19, one of which is that MSMEs that fall into the poor and vulnerable category as a result of the corona will be included into the community that receives social support. Moreover, the global pandemic hurts both micro- and macroeconomics. In the past, some infectious diseases including as HIV, H1N1 influenza 2009, H5N1, and the SARS

epidemic and pandemic were able to traverse borders with relative ease, posing a threat to the economy and regional stability of a nation. Several factors, including commodity distribution, import-export, and production or operational activities, contribute to this. According to Richard et al., government decisions towards a global pandemic have a significant impact on the nation's economic health.

The COVID-19 epidemic has pushed the national and international economies into a recession. This is characterized by negative or contractionary economic growth at the national and global levels. The national economy witnessed a downturn in the second quarter of 2020, with a -5.3% decline in economic growth. In March 2020, the Indonesian Government has declared a national emergency. In addition, the big scale limited mobility was governed by Minister of Health Regulation Number 9 of 2020 on Guidelines for Large-Scale Social Restrictions in Accelerating COVID-19 Mitigation. Some restrictions on communal contacts, such as economic activity.

### **Impacts and business strategies**

Business strategy is concerned with the manner in which firms compete, which influences strategic decisions concerning product selection, satisfying consumer demands, acquiring competitive advantages, and exploiting and generating new opportunities. It also relies on the sort of business and the size of the enterprise. Tiny to medium-sized firms (SMEs) have generally had a small financial foundation, a domestic emphasis, and limited geographic penetration. The current competitive environment provides SMBs with new opportunities to develop their

consumer base on both the domestic and international markets. It is now established that some small businesses will eventually expand into huge corporations (Davis et al., 1985). As a result, small and medium companies (SMEs) have received more and more concentrated attention, and the government has been asked to "take strong and decisive action to boost small company development." According to Hung and Rondinelli (1993, p. 20), SMEs play a crucial role in the economic development of a nation (Hill, 1995). In this competitive environment, small and medium-sized enterprises (SMEs) already face stiff competition from larger, better-resourced competitors with a much larger network.

The design of an effective business plan is essential for the survival and expansion of SME. Effective business and competitive strategies can also assist SMEs in expanding their market share and clientele. However, for the approach to be successful, the organizational strategy and the processes that occur within the company must be compatible, even during the COVID 19 pandemic.

There are numerous variants in the sectors that might be collected for this research dependent on the responses of the respondents. We chose 9 diverse MSMEs in Indonesia and Malaysia from the researcher's social and business network, including: Hotels and Restaurants at 8%, Wholesalers and Retailers at 16%, Handicrafts at 12%, Culinary (Food and Beverage) at 20%, Software Engineering and Information Technology at 8%, Manufacture at 12%, Service at 16%, Textile Garment at 8%, and Agriculture at 4%. (Table 3).

**Table 3. MSMEs Sector Type**

No.	Sector Type	Frequency	Percentage
1.	Hotels and Restaurant	2	8%
2.	Wholesales and Retailer	3	16%
3.	Handy crafts	3	12%
4.	Culinary (Food and Beverage)	5	20%
5.	Software Engineering and IT Solution	2	8%
6.	Manufacture	3	12%
7.	Service	4	16%
8.	Textile, garment	2	8%
9.	Agriculture	1	4%

Source: The data was processed, 2020

The development of Malaysian micro, small, and medium-sized enterprises (MSMEs) is the government's top goal, therefore its dedication appears to be quite strong. Since the 1970s, there has been a focus on micro, small, and medium-sized enterprises (MSMEs) as a result of the New Economic Policy (New Economic Policy) of 1971, which was primarily concerned with promoting the welfare of the people and fostering an ethnically balanced economic structure. The components of the Industrial Master Plan (IMP2) and Industrial Master Plan (IMP3) 2006–2020 also demonstrate a commitment to MSMEs. The development of micro, small, and medium-sized enterprises (MSMEs) also holds an important place in the 2020 vision.

Due to the availability of inexpensive labor, Johor Bahru has the highest concentration of manufacturing enterprises, such as textiles and apparel and wood-based industries. Subsequently, Selangor became another industrial area. Pulau Pinang is home to a high-value sector that requires a big skilled labor force. Selangor's SME sector is dominated by the transportation and electrical equipment industries, whilst Johor's is dominated by the textile and apparel and wood-based industries. The majority of other industries (such as food and food-related products) are located in Perak and Johor.

This company operates in the wholesale and retail industries and was formed by two young local entrepreneurs five years ago. Selling racquets and badminton equipment, as well as sports apparel and equipment. The owner has prior crisis management experience. Due to community hysteria and the huge and temporary shutdown of badminton courts at the government's insistence, the company experienced considerable customer and sales volume losses during the COVID19 crisis. The owner thinks that the organization will incur a total financial loss of approximately \$300. Companies have crisis management plans and strategies, but their focus is limited, primarily due to a lack of resources and understanding of emergency preparation.

After the COVID-19 crisis, the organization may be willing to invest in crisis management education and training, but it is too early to say to what extent there is no specific plan in place at this time. The owner concludes by stating that firm size is significant in their industry. In general, small businesses incur less economic loss as a result of their modest inventory levels, labor costs, and rental load. Small businesses are also more adaptable in making judgments regarding labor cost cutbacks and pricing reductions for survival. After a crisis, it is also simpler for

small businesses to employ resilience methods such as product diversification and store relocation for lower rent.

During the COVID-19 outbreak, small and medium-sized businesses assure their businesses' survival, adaptability, and continual productivity improvement. We monitor a few business owners to determine what they may do to limit the impact of the pandemic on their operations, ensure business continuity, and provide better results during a crisis. Twenty-five business owners (Small and Medium-Sized Enterprises) share their experiences with the COVID-19 epidemic. The greatest difficulty faced by businesses during the epidemic is adapting their business models in order to persevere and innovate in order to survive. Optimistically, some business owners adapt their business concepts drastically in order to survive. While geographically dispersed and catering to a variety of consumers, the five firms highlighted below exemplify the plight of the small company community amid the current economic downturn.

### **Impact of COVID-19 Outbreak and Implementation of New Normal**

The government has announced the reopening of nine economic sectors since the implementation of the New Normal: mining, oil, industry, construction, plantations, agriculture and livestock, fisheries, logistics, and freight transportation. When decisions are made in these nine industries, the threat posed by Covid-19 is deemed to be low. Nonetheless, it generates a large number of employment opportunities and has a significant economic impact. The relevant Ministries implemented stringent health measures, beginning with education, socialization, and simulation, in order to open various economic sectors. In addition, an economic impact evaluation is conducted utilizing the economic impact index indicator from three perspectives: labor, the proportion of sectoral Gross Regional Domestic Product, and the sector linkage index.

In addition, The Movement of Control Order mandated the temporary shutdown of non-essential businesses and outlawed mass movements across the country. Seventy percent of small and medium-sized businesses experienced a fifty percent decline in business within one week. Compared to the numbers observed in the digital space during the same time period, online shopping for non-food items increased by 53%, online grocery shopping by 144%, and online food delivery by 61%. On the first day of MCO, food delivery websites GrabFood and Foodpanda saw a 30% increase in orders. The Malaysian Digital Economy Corporation (MDEC) anticipates an increase of twenty percent in e-commerce by 2020.

The divergent trajectories of online and offline economic activity indicate that participation in the digital economy is crucial for the survival and success of SMEs in the post-COVID era. Important front-end business processes, such as e-commerce, necessitate the digitization of back-end processes, such as accounting, administration, communications, data processing, and document handling. Eighty-four percent of SMBs encountered problems with their online access and contact with customers and suppliers during the MCO. Multiple SMBs report insufficient work-from-home (WFH) connectivity (Ernst & Young, 2020). SMEs with low back-end digitization rates prior to COVID performed poorly during MCO.

Thus, the government of Malaysia has implemented a number of initiatives to promote the digitalization of SME businesses in the country. The CONCERNED Economic Stimulus Package, for instance, allocated 28 projects, primarily financial aid, to SMBs. MDEC is also collaborating with 237 local technology companies, including network providers, e-commerce platforms, and technological service providers, in order to offer incentives to promote the digitization of SME.

Despite these measures, only 25% of Malaysian businesses are accelerating their digital transformation initiatives in response to the Covid-19 outbreak, while 60% are slowing down. Government initiatives are required to bridge the digital divide between businesses in light of these obstacles. The purpose of the policy is to establish an inclusive and mutually beneficial digital economy. The Malaysian Government may consider the following strategies in this regard:

1. Ensure a cost-effective and superior digital infrastructure. To eliminate financial barriers to SME digitalization, public-private partnerships must be formed and maintained to reduce the cost of basic digital infrastructure. These efforts can be broadened to expedite the creation of inexpensive, high-quality digital infrastructure and services on a nationwide scale.

2. Drive the digitization of increasingly complex back-end procedures. 72 percent of SMEs do not know how to automate their business operations, while 42 percent of enterprises that are familiar with cloud computing "do not know how to transform their business using cloud computing" (Huawei Technologies, 2020). In addition to increasing awareness of the advantages of digitizing back-end operations, as discussed above, training and updating worker skills can improve the technical competence of SME personnel and stimulate digitization within the SME. (Brennen and Kreiss, 2016)

3. Engage SME stakeholders with the availability of government programs and incentives.

Numerous SMBs may be unaware of government programs and incentives for digital transformation. As previously stated, sixty percent of SMBs who identify funding as an impediment to digitalization are uninformed of their financing choices. Additional engagement activities, such as direct outreach to individual SMEs to remind them of skills-based training programs, could contribute to a rise in the degree of digitization among SMEs.

4. Extend incentives for digitalisation to all interested SMBs

MDEC operates a number of programs to support the digitalization of SME. However, this program has a number of restrictions. The SME Business Digitization Grant, for instance, is limited to 100,000 SMEs. It is possible that the acceptance rate for these programs is low because many SMEs are unaware of or uninterested in them.

Eventually, the government will be able to expand this initiative to all interested SMEs, and the digitalization of SMEs is one of the keys to their long-term sustainability in an increasingly digital economy, but the digital divide between businesses is a tremendous obstacle. Despite the fact that COVID-19 has expedited digitization in general, SMEs risk falling behind if they fail to adapt. Government intervention and policies will play a significant role in promoting the digital economy in Malaysia.

## Conclusion

Small and medium-sized firms (SMEs) have contributed approximately 60 percent to the Indonesian economy and employed 97 percent of the domestic labor force. Despite the fact that there are more than 60 million SME businesses in Indonesia, just 12 percent are able to obtain bank financing or loans. The COVID-19 pandemic has exacerbated the problem for these SMEs, since nearly half (about 30 million) have been forced to temporarily close due to the pandemic's effect on demand. The disruption created by the spread of COVID-19 has had a catastrophic impact on MSMEs. A review of statistics on the effects of COVID-19 on micro, small, and medium-sized businesses reveals that the economic impact of this pandemic will worsen for small businesses and their employees before it improves, necessitating the implementation of various government initiatives.



Social distancing-based public health interventions, such as mass quarantines, extensive travel bans, and disruption of the transport system, can destabilize economies and reduce market demand in the service sector, which is crucial for many small and medium-sized enterprises (SMEs) that rely on repeat business. When contemplating the use of this intervention, the costs to SMBs must be taken into account. Small- and medium-sized enterprises (SMEs) are financially more vulnerable and cash-strapped when market demand dips. Emergency funding schemes aimed at SMBs can be an essential element of the SMBs' response to financial challenges. During periods of poor market demand, SME survival can also be aided by lower borrowing rates, deferred or canceled taxes and fees, and lenient credit rules.

Small and medium-sized enterprises can profit from a diversified business platform. During quarantine or ban journeys, online platforms and virtual service delivery can help small and medium-sized enterprises (SMEs) sustain their operations. To assist SMEs in reorganizing their business operations, it would be useful for policymakers to offer tax benefits and technical assistance.

### **Recommendation**

Entrepreneurs and owners of micro, small, and medium-sized businesses are most likely to achieve success by focusing on the needs and desires of their clients. Adaptations to corporate strategies and the emergence of new opportunities make this perspective even more vital in times of sweeping change. It is understandably difficult to uncover and investigate new opportunities while bemoaning lost earnings, clients, and possibly vital personnel.

However, because the sustainability of their small business is at danger, the owner must cultivate resilience and develop an attitude of opportunity recognition. The Indonesian government must assist the growth of

fintech so that more small and medium-sized enterprises can gain access to financing and expand their businesses. Given their immense contribution to the Indonesian economy, it is crucial to support small and medium-sized businesses. Nonetheless, the government must continue to provide necessary infrastructures, such as a fast, affordable, and dependable internet connection. Regarding the financial service options available to them, including those provided by fintech companies, SMBs are either well informed or not.

Urgent collaboration between all parties, including fintech firms, the banking industry, and the government, is required to aid Indonesian SMEs during this pandemic. Deputy Minister Datuk Mas Ermieyati Samsudin stated that the ministry intends to aid SMEs not only during the pandemic, but also before and after. In addition to assessing the need for alternative financing for affected micro and SME entrepreneurs, the government will focus on rescheduling loan repayments, engage with entrepreneurs how to assist them, and collaborate with other parties. He stated that the government will soon launch a scheme with Axiata Digital that will enable "bankless" entrepreneurs to obtain funding approval in three minutes with little documentation for between RM1,000 and RM10,000 that will be deposited into their accounts within two days. Until July 2020, the ministry, via institutions like as Tekun Nasional, SME Bank, SME Corp, and Bank Rakyat, will have provided approximately RM47.4 billion in funding to approximately 485,000 micro and SME entrepreneurs and cooperatives, he said. (smecorp.gov.my, 2020).

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