

Management Strategy for Development Industries of Micro, Small and Medium Enterprises (Msmes) For Coastal Communities in Tomini Bay

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Abstract: The rapid development of technology and the behavior of people who want to be practical and fast have finally opened up opportunities for MSMEs to grow by utilizing technology. Of course, by utilizing digital technology, MSMEs still have the opportunity to become pillars of the populist economy. MSMEs since 2016-2019 grew by 4.2% annually with the average contribution of MSMEs to Indonesia's Gross Domestic Product (GDP) of 50% since the last 3 years. However, according to the data center at the Ministry of Cooperatives and SMEs, since the outbreak of the Covid-19 pandemic, the sales of MSME products have decreased by 57%. The Covid-19 pandemic has had a significant impact on all people's lives, especially for Micro, Small. and Medium Enterprises (MSMEs) whose economic cycle is highly dependent on the traffic of goods, services, and people, who are currently experiencing a period of limited movement. This results in decreased productivity of all elements in the MSME ecosystem and affects the welfare of MSME actors. This research is a qualitative research with literature review. This type of data uses secondary data in the form of data from the Central Statistics Agency (BPS), the Ministry of Cooperatives and Small and Medium Enterprises (UKM), literature review. The conclusion is that the challenge for MSMEs that must be faced is how to create a strategy to fill the needs of the domestic market and the global market. Although full of challenges, the MSME sector still has hope and opportunities to increase its business scale.

Keywords: Economic Growth:, Manegement Strategy, e-commerce, people's economy

1 Introduction

National development aims to achieve people's quality of life standards such as the level of welfare, health and education. One part of development that is important for society is economic development. Achievement of economic development can be indicated by high economic growth, increasing income per capita, wide employment opportunities, reduced unemployment and poverty levels. According to Dahuri, R.2001 economic development is a process that causes the income per capita of the population in an area to increase in the long term. Economic activities are carried out by local governments together with the community, processing and utilizing existing resources to stimulate regional economic development and community welfare. According Cicin-Sain, B. & R. W. Knecht. 1998 community economic development aims to increase community participation in various development activities, especially in the economic field. In addition, improving the quality of human resources in order to be able to process natural resources efficiently and sustainably in order to increase income and welfare.

Then encourage the community, small and medium entrepreneurs to develop and be able to support regional economic development and create jobs and business opportunities. People's economy is guided by the fourth principle of Pancasila which can be defined simply that the term populist economy will contain elements of democracy in it. Democracy that emerges and is extracted from local wisdom. Democracy that characterizes Indonesia is deliberation to reach consensus. People's economy or people's economy is not a new economic school, but only as a construction of understanding of the general economic reality in developing countries. An economic reality where in addition to the formal sector which is generally dominated by entrepreneurs and conglomerates, there is an informal sector where most members of society live. Therefore, the people's economy develops in accordance with the conditions of the community in a certain area (P Evers, Hans-Dieter, Azhari Karim 2011). People's economy is a term that was initiated by Mohammad Hatta after the colonialism of the Dutch East Indies by taking into account the socio-economic conditions left by the Dutch East Indies government which at that time placed the natives in the lowest social class and strata. v but only as a construction of understanding of the economic realities that are common in developing countries. An economic reality where in addition to the formal sector which is generally dominated by entrepreneurs and conglomerates, there is an informal sector where most members of society live. Therefore, the people's economy develops in accordance with the conditions of the community in a certain area.

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Tomini Bay is the largest bay in Indonesia, with an area of more than 6,000,000 hectares (ha) bordering three provinces, namely Central Sulawesi, North Sulawesi and Gorontalo. Tomini Bay has around 90 islands, some of which are located in Gorontalo and Central Sulawesi provinces (BPS, 2016 in Pramuji, 2018). The Tomini Bay area which consists of 17 areas has a long and wide coastal area. Tomini Bay is one of the marine destinations that the world is looking at. The beauty of Tomini Bay is evidenced by the spread of 1031 hectares of coral reefs and 785.10 hectares of mangrove forest (<https://tempochannel.com>, accessed January 19, 2020). The extent of this area of course saves various natural potentials that can be developed into products of economic value.

People's economy was created as a way to make the indigenous people as masters in their own country (Foley N. S, Escapa M., Fahy F. 2014). Then, the concept of a people's economy is stated in the constitution of the Republic of Indonesia Article 33 of the 1945 Constitution. Since the Covid-19 pandemic, the Indonesian economy has experienced shocks, one of which is the people's economy. With various policies related to efforts to prevent the Corona virus, it is difficult

for people to carry out economic activities. The Covid-19 pandemic has had an impact on several business sectors in Indonesia, especially business actors. According to Kankaew, et al., Supply chain management (SCM) practices have become strategic resources and capabilities for enhancing both competitive advantage logistics performance (ORGP). However, it is not clear how SC Practices influence logistics performance in the agribusiness context. From the background above, the formulation of the problem in this paper are: What is meant by MSMEs?; What is the impact of the Covid-19 pandemic on MSMEs in Indonesia? ; What are the opportunities, challenges, and strategies for developing MSMEs.

2. Methods

This research is a qualitative research with literature review. This type of data uses secondary data in the form of data from the Central Statistics Agency (BPS), the Ministry of Cooperatives and Small and Medium Enterprises (UKM), literature review. The object of this research is SMEs. Data were analyzed using descriptive analysis. The data review process begins with identifying the development of MSMEs and their problems, then proceeds with searching the data and presenting it in a narrative manner so that conclusions can be drawn.

3. Discussion

2.1 Micro, Small and Medium Enterprises (MSMEs) 2.1.1 Definition of MSMEs

In the Law of the Republic of Indonesia No. 20 of 2008 concerning MSMEs Article 1, it is stated that micro-enterprises are productive businesses owned by individuals and/or individual business entities that have the criteria for micro-enterprises as stipulated in the law. Small business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or not subsidiaries that are owned, controlled or become a part, either directly or indirectly, of a medium or large business that meets the criteria. small business as referred to in the Act.

Meanwhile, micro-enterprises are independent productive economic businesses carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part of either directly or indirectly, of micro-enterprises, small businesses or large businesses that meet the criteria for micro-enterprises as referred to in the Act. In the Law, the criteria used to define MSMEs as stated in Article 6 are net worth or asset value excluding land and buildings for business premises, or annual sales proceeds. With the following criteria: Micro-enterprises are business units that have assets of at most Rp. 50 million excluding land and buildings for business premises with annual sales of at most Rp. 300 million. Small businesses with assets of more than Rp. 50 million up to a maximum of Rp. 500 million excluding land and buildings for business premises. have annual sales of more than Rp. 300 million up to a maximum of Rp. 2,500,000, and Medium-sized enterprises are companies with a net worth of more than Rp. 500 million up to a maximum of Rp. 100 billion, with annual sales of above Rp. 2.5 billion to a maximum of Rp. 50 billion.

MSMEs are productive business units that stand alone, which are carried out by individuals or business entities in all economic sectors. In principle, the distinction between Micro Enterprises (UMI), Small Enterprises (UK), Medium Enterprises (UM), and Large Enterprises (UB) is generally based on the initial asset value (excluding land and buildings), average annual turnover, or number of permanent employees. However, the definition of MSMEs based on these three measuring tools differs by country. Therefore, it is difficult to compare the importance or role of MSMEs between countries. Some of the advantages of SMEs over large businesses include the following.

1. Innovation in technology that has easily occurred in product development.
2. Close human relations within a small company.
3. The ability to create quite a lot of job opportunities or their absorption of the workforce.
4. Flexibility and ability to adapt to rapidly changing market conditions compared to large companies that are generally bureaucratic.
5. There is managerial dynamism and the role of entrepreneurship.

2.1.2 MSME Criteria

According to Law Number 20 of 2008 MSMEs have the following criteria:

a. Micro Enterprises, namely productive businesses owned by individuals or business entities owned by individuals which Fulfill criteria namely: 1) Have a net worth of at most Rp. 50,000,000 (fifty million rupiahs) excluding land and buildings for business premises, 2) Have annual sales of at most Rp. 300,000,000 (three hundred million rupiahs). Small Business, which is a stand-alone productive economic business carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled or become a part either directly or indirectly of a medium or large business that meets the following criteria:

1) Have a net worth of more than IDR 50,000,000 (fifty million rupiah) up to a maximum of IDR 500,000,000 (five hundred million rupiah) excluding land and building for business; or

2) Have annual sales of more than Rp.300,000,000.00 (three hundred million rupiah) up to a maximum of Rp.2,500,000,000.00 (two billion five hundred million rupiah). Medium Enterprises, namely productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part either directly or indirectly with small businesses or large businesses that meet the following criteria:

1) Has a net worth of more than Rp. 500,000,000.00 (five hundred million rupiah) up to a maximum of Rp. 10,000,000.00 (ten billion rupiah) excluding land and building for business; or 2) Have annual sales of more than IDR 2,500,000,000.00 (two billion five hundred million rupiah) up to a maximum of IDR 50,000,000,000.00 (fifty billion rupiah).

Strengths and Weaknesses of SMEs

MSMEs have several potential strengths which are the mainstays on which to base development in the future, namely: Providing employment, the role of small industries in the absorption of labor should be taken into account, estimated or absorb up to 50% of the available workforce. So far, the existence of small and medium enterprises has been proven to be able to support the growth and development of new entrepreneurs. Has a unique market business segment, implements simple and flexible management of market changes. Utilizing the surrounding natural resources, small industries mostly utilize waste or products that come from large industries or other industries. Has the potential to grow.

Weaknesses, which are often also inhibiting factors and problems of Micro Enterprises consist of 2 factors:

FactorInternal

Internal factors, which are classic problems of SMEs, include:

1. Human resource capacity is still limited.
2. The constraints on product marketing are that most Small Industry entrepreneurs prioritize the production aspect while the marketing functions are less able to access them, especially in market information and market networks, so most of them only function as craftsmen.
3. The tendency of consumers who do not trust the quality of Small Industry products.
4. Business capital constraints, most of the Small Industries utilize their own capital in relatively small amounts.
5. Factor external

External factors are problems that arise from the developer and builder of MSMEs. For example, the solution provided is not right on target, there is no monitoring and overlapping programs (Basri, N. 2020, May 6). From these two factors, a gap arises between internal and external factors, namely on the banking side, SOEs and other supporting institutions are ready to provide credit, but which MSMEs are given, because of various provisions that must be met by MSMEs. On the other hand, MSMEs also have difficulty finding and determining which institutions can help with their limitations and this condition is still ongoing even though various efforts have been made to make it easier for MSME actors to obtain credit, and this has been going on for 20 years. The current pattern is that each institution/institution that has the same function does not coordinate but operates independently, whether it is banking, BUMN, departments, NGOs, private companies. On the other hand, with its limitations, MSMEs are the pillars of the economy, so that the wheels of the economy become a reality.

The Role of MSMEs

Micro, Small and Medium Enterprises (MSMEs) have an important role in economic development and growth, not only in developing countries (NSB), but also in developed countries (NM). In developed countries, MSMEs are very important, not only that these business groups absorb the most workers compared to large businesses (UB). As is the case in developing countries, the contribution to the formation or growth of gross domestic product (GDP) is the largest compared to the contribution of large businesses.

Characteristics of SMEs

Small businesses in Indonesia have great potential to be developed because of the wide market, easily available raw materials and large human resources are supporting variables for the development of these small businesses, but several things need to be observed along with the development of small home-based businesses such as: followed by good management, good planning will minimize failure, mastery of knowledge will support the sustainability of the business, managing an efficient and effective production system, as well as making breakthroughs and innovations that make the difference from competitors are steps towards success in managing the business.

Impact of the Covid-19 Pandemic on MSMEs in Indonesia

In early March, Indonesia began to be attacked by the Covid-19 pandemic. The Covid-19 virus that is currently spreading does not only have a negative impact on health. However, it also has an impact on the education, social and especially the Indonesian economy. The pandemic has had a major impact on the micro, small and medium enterprises (MSMEs) sector. In 2018, according to the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM), the number of MSMEs in Indonesia was around 64,194,057, with an absorption capacity of 116,978,631 the total workforce. This figure is equivalent to 99% of the total business units in Indonesia, with the percentage of labor absorption in the economic sector equivalent to 97% and the remaining 3 percent in the large industrial sector. Based on research in April 2020 conducted by the Kemenkop UKM, The Covid-19 pandemic resulted in 56% of MSMEs experiencing a decline in sales turnover, another 22% had difficulty getting financing or credit, 15% experienced problems in distributing goods, and the remaining 4% had difficulty getting raw raw materials. Of all MSMEs recorded in this research, the composition of MSMEs engaged in micro-industry occupies 87.4%. This figure shows a fact which is higher than that reported by Bank Indonesia, which is 72.6% and lower than that reported by LIPI, which is 94.7%. The last two researches were conducted in June 2020, at the end of the second quarter of 2020. The existence of the PSBB Large-Scale Social Restriction policy and social distancing can directly inhibit MSMEs in distribution activities, causing a decrease in sales turnover from MSMEs. Based on data from Bank Indonesia, MSME exporters are the sector most affected, which is around 95.4% of the total exporters. MSMEs engaged in the handicraft sector and supporting tourism were affected by 89.9%. Meanwhile, the smallest sector affected by the Covid-19 pandemic is the agricultural sector, which is 41.5%. In addition, based on research data from the Ministry of Cooperatives and SMEs, MSMEs affected by the Covid-19 pandemic are the highest at 40.92%, namely wholesalers and retail traders.

Meanwhile, MSMEs engaged in the craft sector and supporting tourism were also affected by the pandemic by 89.9%. This is caused by several factors, including:

1. The decrease in the number of tourists indirectly affects the sales turnover,
2. Difficulty distributing goods
3. They have to temporarily close their stall with the excuse of cutting off their eyes Corona virus chain.

In addition, MSMEs engaged in the micro food and beverage business affected by 27%. MSMEs, which consist of small food and beverage businesses, were affected by 1.77% and MSMEs classified as medium-sized businesses were affected at 0.07%. In addition, the Covid-19 pandemic also affected micro-enterprises by 17.03%. Small businesses in the wood and rattan handicraft sector were affected by 1.77% and medium enterprises by 0.01%. On the one hand, household consumption is affected by around 0.5% to 0.8%.

5. Challenges, Opportunities, and Strategies for MSME Development in the Midst of the Covid-19 Pandemic

The outbreak of the Covid-19 pandemic has an impact on almost all sectors, especially SMEs. There are three main challenges that must be faced by MSME actors. First, in terms of supply. After the implementation of Large-Scale Social Restrictions (PSSB) in almost all regions, many MSME sectors have difficulty in obtaining raw materials. The existence of the PSBB policy has also disrupted logistics distribution. The second challenge is the issue of cashflow. Since PSBB and physical distancing were put in place, many MSME actors whose incomes have decreased due to the lack of customers buying their products. In addition, the cost for production is a bit expensive and MSME actors also have difficulty getting capital loans. The third challenge during the pandemic is the number of requests dropping drastically. This is due to market uncertainty which makes the demand for goods sold by MSME actors decrease. Because since the outbreak of the Covid-19 pandemic, the needs of consumers have changed. During this Covid-19 pandemic, many people need health products such as hand sanitizers and masks more than other needs. In addition to the three things above, MSME actors also have several obstacles, such as a thinking paradigm or an entrepreneur's mindset that is not optimistic. This can hinder the growth of company innovation in the midst of a pandemic. Even though there are many things that should be evaluated during a pandemic. Starting from capital improvement to other innovations to diversify products in the market. For example, by formulating and managing business brands and product characteristics to differentiate them from similar products that are also circulating in the market. The challenge for SMEs that must be faced is how to create a strategy to fill the needs of the domestic market and the global market. In addition, what is the strategy for technology-based entrepreneurship and still upholds local norms and wisdom. In facing other challenges, MSME actors must have an entrepreneurial spirit and potential, MSME actors should understand the economic democracy that is happening, including following developments in technology

information updates and maintaining local wisdom. The slow growth and development of MSMEs will have an impact on the low economic growth of the people, causing a decrease in people's purchasing power and a decrease in production for the people's economy, which in turn causes the community to be unable to meet their basic needs.

Opportunities for MSME Development in the Midst of the Covid-19 Pandemic

The Micro, Small and Medium Enterprises (MSME) sector is one of the sectors most affected by the Covid-19 pandemic. This epidemic has made the wheels of the economy in the MSME sector stagnate. MSMEs have been one of the pillars of the national economy. There are at least more than 64 million MSME units that contribute 97 percent of the total workforce and 60 percent of the national GDP. MSMEs also contribute significantly to GDP reaching 20 to 50 percent. This number shows the very large role of MSMEs for the national economy. Although full of challenges, the MSME sector still has hope and opportunities to increase its business scale. MSME business opportunities are unlimited, meaning that any field can potentially be used as an MSME business despite the Covid 19 outbreak. As long as MSME actors have lots of creative ideas, expertise and skills that can be sold online and offline.

Opportunities to increase exports are still wide open if MSME actors are willing to innovate products and design them by utilizing technology. There are three sectors that have great opportunities for MSMEs to be able to increase their exports in the midst of a pandemic such as food and beverage products, fashion and furniture and handicrafts. As a form of activity or support for MSMEs, the Kemenkop SME has initiated several programs such as the Shopping Movement at Warung Neighbors. In addition, support for the production of personal protective equipment by SMEs. Not only MSME actors, millennials who want to enter the business world should be able to take advantage of the various opportunities that exist. Currently, the government continues to intensify and encourage the growth of micro, small and medium enterprises through various policies. The Ministry of Tourism and Creative Economy provides various assistance to MSME actors to enter digital platforms. Among them are by creating attractive commercial content, assistance in obtaining IPR certification, including government incentive assistance programs with a total fund of Rp. 24 billion. Kusumastanto. 2003, Business actors who are starting or are developing their businesses are also facilitated with various digital applications that help in terms of marketing and distribution to the public. For example, in creative industries such as culinary, it is now easier to market with the application of food delivery. In addition, film and animation production now does not only rely on sales to television stations or cinemas but can also be sold or distributed through OTT platforms or YouTube channels.

Returning to the opportunities and challenges for MSME business players in 2020 who are currently affected by the Covid-19 outbreak, Indonesian President Joko Widodo at the Indonesia Forward Cabinet meeting via video conference at the Merdeka Palace, Jakarta on Wednesday, April 15, 2020, has asked his staff that business actors should Micro, Small and Medium Enterprises (MSMEs) continue to be given the opportunity to produce, especially in the agricultural sector,

home industry, traditional stalls and the food sector with strict health protocols, meaning that the opportunity to run a business for MSME actors is still given full attention by the government. The President has also ordered Finance Minister Sri Mulyani Indrawati to assist MSME players in the form of relief facilities, namely interest subsidies, delays in principal payments, and additional working capital loans. Another opportunity for MSMEs is the launching of the 100,000 Micro, Small and Medium Enterprises (MSME) Go Online movement together in 30 cities or regencies in Indonesia to make Indonesia a Digital Energy of Asia. According Prime 2020 this movement aims to facilitate and provide opportunities for MSMEs in various regions to be ready to compete in a wider market. The Ministry of Cooperatives and SMEs together with the Ministry of Communication and Informatics, has committed in 2020 to bring 8 million MSMEs online. This commitment shows the government's support in advancing MSMEs as one of the backbones of the Indonesian economy. By following the online movement, MSME actors will have the opportunity to distribute People's Business Credit (KUR), RKB Incorporation, financial inclusion transformation, as well as the opportunity to create a TIN simultaneously for all MSME actors to be online.

MSME Development Strategy Amid the Covid-19 Pandemic

Bustomi.2020 MSMEs are the spearhead of the national economy and play a major role in national economic growth. In 2019, MSMEs contributed to gross domestic product (GDP). MSMEs contribute 60 percent of GDP and contribute 14 percent of total national exports. However, this year MSMEs have become one of the sectors that have fallen due to the Covid-19 pandemic. Whereas the absorption of labor by MSMEs is very high, which grows to 96.99% - 97.22% with the number of MSME actors reaching 62 million or about 98 percent of national business actors. In fact, since the beginning of the pandemic, the government has placed MSMEs as priority beneficiaries in the national economic recovery (Digital, M. 2020). The business sector has the ability to find solutions through technology, innovation, and investment. As well as addressing negative environmental and social impacts through the value chain and supply chain of their business operations. The business sector has so far also taken part in developing MSMEs so that the collective efforts of various sectors are urgently needed to support the rise of MSMEs which have been badly hit by the impact of the Covid-19 pandemic. Mc Cay, B.J 1993 several solutions need to be done to maintain the existence of MSMEs, namely continuing to apply health protocols, delaying debt or credit payments, financial assistance, and structural policies. While the long-term strategy focuses on the introduction and use of digital technology for MSMEs as well as preparation for entering the Industry 4.0 era. The government makes training programs to assist MSME actors. The government has also collaborated with e-commerce companies in Indonesia to provide training and assistance so that MSME players want to enter the digital market. With this program, it is hoped that MSMEs can enter the digital market and at least be able to help them to earn income in the midst of this Covid-19 pandemic. The Kemenkop UKM also holds a digital market program for SMEs, through this program the potential expenditure that can be utilized by SMEs reaches Rp35 trillion. Then there is the Proudly Made in Indonesia (BBI) national movement and actively encourages the MSME sector. According to Tardjo, T. 2020

with this program, it is hoped that MSMEs can enter the digital market and at least be able to help them to earn income in the midst of this Covid-19 pandemic. The Kemenkop UKM also holds a digital market program for SMEs, through this program the potential expenditure that can be utilized by SMEs reaches Rp35 trillion. Then there is the Proudly Made in Indonesia (BBI) national movement and actively encourages the MSME sector. With this program, it is hoped that MSMEs can enter the digital market and at least be able to help them to earn income in the midst of this Covid-19 pandemic. The Kemenkop UKM also holds a digital market program for SMEs, through this program the potential expenditure that can be utilized by SMEs reaches Rp35 trillion. Then there is the Proudly Made in Indonesia (BBI) national movement and actively encourages the MSME sector.

The Indonesian government through the Ministry of Cooperatives and Small and Medium Enterprises supports the use of an electronic trading system or e-commerce as a solution for cooperatives and Micro, Small and Medium Enterprises (MSMEs) in marketing their products amidst the Covid-19 pandemic. Based on the survey, people's consumption patterns in the midst of the Covid-19 pandemic are gradually changing, namely switching from offline to online. The government's recommendation to stay at Home Economy will become an economic trend in the future. According to Syamsudin, M. 2020, MSME actors have the opportunity to increase their business through the electronic trading system so that the Covid-19 pandemic does not mean that it does not provide benefits, but instead becomes a momentum for MSME actors to prove that domestic products and national needs can still be met. In addition to supporting MSMEs through the e-commerce system, President Joko Widodo chaired a limited meeting via teleconference from the Merdeka Palace, Jakarta, on Wednesday, April 29 2020. The government has prepared five schemes for protection and economic recovery for the micro, small and medium enterprises sector (SMEs). Some of the things that SMEs can do to survive in the midst of the Covid-19 pandemic include:

1. Focusing on consumer needs.
2. Innovate and be creative both in products and services in accordance with changes in consumer preferences and behavior.
3. Develop research and development to increase resilience when a crisis hits.
4. Conduct an evaluation.

Marlinah, L. 2020 maintain relationships with vendors, suppliers, and distributors. f. Gather in MSME organizations as a means of developing business relationships. In addition, the following things can also be done by MSMEs so that their business is not hampered in the midst of the Covid-19 pandemic among others:

1. Promote creativity and innovation.
2. Maintain optimal and healthy cashflow.
3. Understanding changes in consumer behavior.

4. Reviewing products including customer profiles.
5. Adjusting customer relations strategy and sales analysis.
6. Replanning revenue and cutting budget costs.
7. Collaborate and work together to increase efficiency.

5. Conclusion

The Covid-19 pandemic has had a significant impact on all people's lives, even more so for Micro, Small and Medium Enterprises (MSMEs) whose economic cycle is highly dependent on the traffic of goods, services, and people, who are currently experiencing a period of limited movement. This results in decreased productivity of all elements in the MSME ecosystem and affects the welfare of MSME actors. The challenge for MSMEs that must be faced is how to create a strategy to fill the needs of the domestic market and the global market. Although full of challenges, the MSME sector still has hope and opportunities to increase its business scale. In order to survive in the midst of the Covid-19 pandemic, Micro, Small, and Medium Enterprises (MSMEs).

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