

How to Implement SME Empowerment during the Covid-19 Pandemic?

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Abstract

The potential of Gunung Kidul beach tourism is getting bigger with the opening of highway access along the south coast. The existence of this potential is an opportunity for MSMEs in coastal areas to improve community welfare. The author has found a formulation of the SME development strategy based on the results of previous studies with the Gunung Kidul Regional Government and SMEs in the south coast area. The implementation of the partnership strategy has been implemented by the Regional Government, although it is still in the early stages of implementation. This paper reviews the implementation of the SME development strategy during the pandemic implemented by the Gunung Kidul Regional Government. The analytical method used in the research is a qualitative and quantitative analysis by developing various sources of information through focus group discussions, interviews, observations, policy studies, as well as a study of secondary data on SMEs and tourism in Gunung Kidul Regency. SMEs involved in this study consisted of clusters selling fresh fish and culinary delights. The results of the study reveal that strategic issues that have occurred during the pandemic have a negative impact on SMEs. The strategy for empowering SMEs needs to be made several adjustments according to the internal conditions of SMEs and pandemic conditions.

Keywords: *SME empowerment strategy, COVID-19 pandemic, Gunung Kidul Yogyakarta*



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INTRODUCTION

The poverty rate in Gunung Kidul Regency is still relatively high, so a breakthrough is needed to improve people's living standards. The potential for south coast tourism is very high so that it can be developed to increase the income of MSMEs so that the implementation of the MSME development strategy becomes a priority for poverty alleviation. Poverty alleviation is one of the research focuses of UPN "Veteran" Yogyakarta, as stated in the 2020-2024 research strategic plan. UPN "Veteran" Yogyakarta and the local government of Gunung Kidul Regency have committed to work together on poverty alleviation programs through the MoU signed on 16 June 2016 (attached).

The research team, together with Bappeda Gunung Kidul, have conducted a study on strategies to increase MSMEs in coastal areas, and the strategy formulation has been obtained. The implementation of the partnership strategy was carried out in 2018 by involving all stakeholders consisting of local governments, banks as creditors, regional companies for CSR programs, coastal tourism Pokdarwis associations, merchant groups, and universities. Strategy implementation requires a study of success and failure. Therefore, this research is directed to evaluate, map the opportunities for success and failure of the

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strategy, analyze the role of each stakeholder, and measure success. Scientific studies are needed to evaluate the implementation of strategies which include evaluating the optimization of the role of stakeholders, compiling a correction plan, measuring benefits for MSMEs, and compiling a more professional MSME development plan as part of the tourism element in serving tourists.

The formulation of the research problem is as follows:

1. What are the strategic issues that have developed in implementing strategies during the pandemic?
2. How is the strategy for SME empowerment to be adjusted during the pandemic?

LITERATURE REVIEW

Porter (1980) reveals that in building a strategy, several strengths that must be created include: 1) Overall cost advantage; 2) Differentiation; and 3) Focus on a specific buyer group, product line segment, or geographic market. The MSME development strategy must also rely on these three pillars so that it has a high competitive advantage. Competition between MSMEs is a natural thing, but if synergistic cooperation occurs, it will produce mutual strength.

Resource Base Theory analyzes and interprets organizational resources to understand how the organization achieves a sustainable competitive advantage so as to achieve the set performance. RBV focuses on the concept of firm attributes that are difficult to imitate as a source of superior performance and competitive advantage (Barney, 1991). The natural uniqueness of the south coast can be used as an advantage for SMEs. For example, SMEs culinary fish in the southern coast of Gunung Kidul. The cheapness of various types of marine fish catches provides high competitiveness with various types of fish that are sold at lower prices. This is an advantage that needs to be explored.

Stakeholder theory (Freeman, 1984) asserts that the existence of an organization depends on stakeholders. Thus, the existence of MSMEs in coastal areas requires attention and empowerment from various stakeholders, including the government, companies, banks, trade associations, and universities. The synergy pattern is built to improve the performance and independence of MSMEs in a sustainable manner.

Abosedo et al. (2016) and Omsa et al. (2017) found that SME empowerment programs require strategic planning, which includes SWOT analysis and strategy formulation. The development of MSMEs in developing countries that is not preceded by a SWOT analysis does not have an effect on the performance and independence of MSMEs. These results indicate the importance of strategic planning before the implementation of MSME development is carried out. This means that the development of MSMEs must be based on internal (SW) and external (OT) analysis. Technology is often an obstacle in the development of MSMEs (Yanes-Estévez et al. 2018)

Sandada et al. (2014) found that strategic planning is needed in managing MSME groups. Evidence shows the importance of strategic management in empowering MSMEs in South Africa. Strategic management is able to improve the performance of MSMEs and strengthen their independence of MSMEs. Alenzy (2018) found that the government is very important in the strategic planning of MSMEs,

Ali and Wang Qun (2019) have also identified a relationship between strategic management practices and the performance of SMEs operating in Bangladesh. Three variables covering strategy formulation, strategy implementation, and strategy evaluation have been developed. The results of the study reveal that strategy formulation, strategy implementation, and strategy evaluation affect the performance of SMEs. The results of this study indicate the importance of strategic management in improving the performance of SMEs.

Williams et al. (2019) outline the importance of strategic management in the development of MSMEs. Some important things in the practice of MSME development strategies are entrepreneurial orientation, strategic planning, goal setting, total quality management, social capital, and analysis of small business owners' financial ratios. Therefore, these things are very important in improving the performance of independence, the competitiveness of SMEs (Nohong et al., 2018). The results of Pournasir's (2013) research have also identified the success factors for implementing the MSME strategy in Iran.

Table 1. Research Results from the Relevant Proposing Team

No.	Author	Relevant Research Findings
1.	Supardi, Hendro Widjanarko, Tri Wibawa, Puryani (2014)	The development of the silver industry (creative industry) must be supported by a tourism strategy in Yogyakarta.
2.	Susanta dan Suratna (2014)	Synergy is needed between the community, SMEs, and the government in developing tourism potential
3.	Hendro Widjanarko, Tri Wibawa (2015)	The importance of market access in the development of SMEs
4.	Suratna (2016)	SWOT-based SME development pattern

Based on theoretical studies and up-to-date research results, including the research results of the proposers, it can be used as a reference in analyzing the implementation of the SME development strategy that has been determined previously, namely the partnership strategy. The partnership strategy was chosen to improve performance and independence and avoid unfavorable competition among SMEs.

RESEARCH METHOD

This type of research is applied research, namely, analyzing the implementation of the MSME development strategy that has been designed previously. The approach used is qualitative. This approach is relevant to measure the perceptions and answers of each informant to be interpreted with the support of quantitative data in the form of SME performance achievements. The research location is in Gunung Kidul Regency, Yogyakarta Special Region. The location is focused on coastal SMEs in Kepanewon Panggang and Kepanewon Saptosari. The informants of this research are stakeholders related to the MSME development program in the southern coastal area, including 1) the Regent of Gunung Kidul and the ranks of the local government; 2) Companies that provide CSR; 3) Banks that disburse soft loans are BRI and BPD-DIY; 4) Coastal tourism managers in Gunung Kidul/Pokdarwis, and 5) Gunung Kidul Coastal SME Association. Data collection methods in this study were using open questionnaires, in-depth interviews, FGDs, and documentation. Triangulation was used to test the validity of the data obtained. Data analysis used the descriptive analysis method by describing the data obtained from the field related to the problems raised in this study and then drawing conclusions.

FINDINGS AND DISCUSSION

The research data collection involved elements of the Gunung Kidul Regency Government, the Krambil Sawit Village Government, the Head of Bedalo Hamlet, Pokdarwis, and business actors (UKM) on the coast of Gunung Kidul, which are managed by the community. The results of this study can be summarized as follows:

Strategic Issues

The strategic issues that will develop in 2021 are as follows:

Covid-19 pandemic

The COVID-19 pandemic has occurred since 2020 until this research report was prepared. The number of people infected with the Covid-19 virus is increasing so that the number of victims is also increasing. Although the number of victims in Gunung Kidul Regency is relatively small compared to other cities/districts in DIY, the increase is even higher. As a result of the pandemic, of course, it affects the amount of revenue for the Gunung Kidul Regional Government. In addition, more government spending is allocated to deal with the pandemic.

Restriction Policy

Regional restrictions were imposed by the government to break the chain of the spread of the COVID-19 virus. The PPKM adopted by the Central Government is also implemented in the Gunung Kidul area. As a result, the movement of people from one region to another is not flexible compared to normal times.

Less Contact Economy

The regional restriction policy due to the spread of COVID-19 has implications for low direct contact. Business activities are carried out remotely without going through physical contact. This becomes a significant difficulty for entrepreneurs who rely on direct relationships such as culinary stalls. However, entrepreneurs can take advantage of information technology via the internet to inform the public of their products.

Industrial Revolution 4.0

The era of the Industrial Revolution 4.0 was marked by the role of technology taking over most of the community's activities. Communication and information technology increases connectivity, interaction, boundaries between humans, machines, and other resources increasingly converge. The fourth industrial revolution is marked by the optimal use of information and communication technology, not only limited to the production process but also throughout the industrial chain so as to produce a new digital-based business model. All of these processes create high efficiency and higher quality products. In the business sector, information technology makes it easier for business people to run their businesses. Entrepreneurs can access consumers all over the world. Writers can also leverage technology to deliver products to consumers accurately. However, the speed of information is also a challenge for entrepreneurs. Information on consumer dissatisfaction will quickly reach the wider community so that it can reduce credibility. The quality of products and services must really be sought so that consumers feel satisfied.

Adjustment of the SME Development Strategy in the Coastal Tourism Area of Gunung Kidul Regency, Yogyakarta

The external environment is changing very quickly due to the COVID-19 pandemic situation. Therefore some strategies and implementations need adjustments and additions. The following are recommended strategies and implementations during a pandemic.

Improving the quality of SME human resources to face the New Normal

- Fintech training for SMEs
- Digital marketing training
- Technical training on preserving marine products (fish, seaweed, etc.)
- Online transaction and product delivery training

Improved beach infrastructure

- Development of internet facilities
- Online-based infrastructure development (visitor density information, inafis, online tickets)

Improved facilities provided for coastal SMEs

- Wi-fi facilitation
- The place to sell is far away
- Handwashing facilities
- Temperature test facility

Improved marketing communication

- Making online promotions through the website by adding menus needed during the pandemic
- Making social media advertising such as youtube, Facebook, Instagram, and others.

Improving SME services to visitors

- Preparation of SME service standards for visitors by implementing health protocols
- Providing medical personnel around the beach location

Improving the financial capacity of SMEs

- Access to financial institutions with soft credit is still required

Increased stakeholder engagement.

- Create a virtual stakeholder communication forum.
- Involvement of stakeholders in formulating policies related to the development of coastal SMEs.

CONCLUSION AND FUTURE RESEARCH

The results of the study reveal that strategic issues that have occurred during the pandemic have a negative impact on SMEs. The policy of limiting interaction causes a decrease in the number of consumers, thereby weakening the ability of SMEs to generate profits. Stakeholders need to adjust SME empowerment strategies according to the internal conditions of SMEs and pandemic conditions. Empowerment strategies are more directed at increasing the ability of SMEs the use online-based technology. Further research is recommended to examine the factors that affect the performance of SMEs during the pandemic.

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