

Social Safety Net in Empowering Micro, Small and Medium Enterprises during the Covid-19 Pandemic in Palembang City

Kamalia Sani^{1*}

¹Islamic Economics, State Institute for Islamic Studies Raden Fatah Palembang, Indonesia

Abstract. This study aims to determine the effectiveness and contribution of the Social Safety Net in empowering MSMEs as well as the obstacles faced in empowering MSMEs during the Covid 19 pandemic in Palembang. This study method used is qualitative with a descriptive approach. Informants in this study are business actors micro, small, and medium enterprises in Palembang. Data were collected through observation, interviews, and documentation. The data analysis process is carried out through data reduction, data presentation, and withdrawal conclusion. This study concludes that the Social Safety Net program is effective in empowering micro, small and medium enterprises during the Covid 19 pandemic in Palembang.

1 Introduction

Since March 18th, 2020, Covid 19 has spread to 159 countries and claimed more than 4,000 lives. It spread not only to Asia like South Korea, Singapore, and Iran, but also to Europe, with the highest spread in Italy and the United States. The World Health Organization - the United Nations (World Health Organization - United Nation) on March 11, 2020 has even declared Covid 19 to be a world pandemic that needs serious handling. The figures for the spread of Covid 19 outside China, which has reached 13 times and the number of affected countries has tripled in two weeks, are considered by WHO in determining Covid 19 to be a pandemic (Bank Indonesia, 2020).

The COVID-19 pandemic situation presents challenges as well as opportunities for the government to maintain the existence of MSM. Challenges are defined as the need for short-term solutions to help MSMEs and workers who are members of them. Opportunity means short-term solutions need to be followed by long-term solutions that require the availability of digital technology to support economic activities. There are several short-term solutions to maintain the existence of MSME. According to the OECD, several solutions need to be considered, namely: strict health protocols in carrying out economic activities by MSMEs, delaying debt or credit payments to maintain MSME financial liquidity, financial assistance for MSMEs and structural policies (Pakpahan, 2020).

* Corresponding author: kamaliasani@yahoo.com

One of the programs run by the government as a response to the decline in community activities that have an impact on the economy, especially the informal sector or MSME is the PEN (National Economic Recovery) program (Kementerian Keuangan, 2020).

The basic problem now is social welfare, so the government comes with a program that seeks to directly touch the community as an answer to this problem. Many programs are specifically rolled out to overcome social problems due to the COVID-19 pandemic as the government's seriousness (Wiyono, 2020).

This program aims to protect, maintain and improve the economic capacity of business actors in running their businesses during the Covid-19 pandemic. For MSME, the PEN program is expected to extend the breath and improve the performance of MSME that contribute to the Indonesian economy (Kementerian Keuangan, 2020).

Many of the impacts of the development of this virus include making it difficult for the community's economy to move, and causing panic from the public, especially those who work as laborers and work in the private sector, fears of losing their jobs and the occurrence of employee reductions to layoffs in private companies as a result of slowing economic growth. Therefore, government assistance is considered indispensable to survive, especially for people who are economically vulnerable during a pandemic such as the current covid 19.

Departing from the background of the problem above, the writer wants to discuss and raise the title "Social Safety Net in Empowering Micro, Small and Medium Enterprises during the Covid 19 Pandemic Period in Palembang".

2 Method

This study can be classified into qualitative descriptive research that can be used to determine the role of the Social Safety Net in empowering MSME in Palembang during the Covid 19 Pandemic.

The place and object of this study is in Palembang. It was conducted at the Social Service Office of Palembang, the Office of Cooperatives and Small and Medium Enterprises as well as the MSME recipients of the Social Safety Net.

The type of this study is qualitative. With a sample consisting of several types of SME scattered in Palembang. The techniques of collecting data in this study include; (i) Observation, (ii) interviews, (iii) Documentation. The analytical technique used in this study is descriptive qualitative analysis, using various data collection techniques (triangulation) and is carried out continuously until the data is saturated (Sugiyono, 2012). The data analysis process can be done through: (i) Data Reduction, (ii) Data Presentation, (iii) Conclusion.

3 Result and Discussion

3.1 Development of MSME in Palembang

MSE has a very important role in driving the wheels of the economy in South Sumatra. The number of MSE in South Sumatra is very large, reaching 98.99% of the total number of non-agricultural businesses in South Sumatra, while large medium enterprises (UMB) are only 1.01%. The large percentage of the number of MSE in South Sumatra shows that MSE are still able to survive as a means of equitable distribution of people's welfare with a very large number and nature which is generally labor intensive and uses a lot of local raw materials and also absorbs a very large workforce.

Most types of MSE are engaged in wholesale and retail trade, repair and maintenance of cars and motorcycles, namely 51.80 %. This activity is mostly involved in retail trade because it is easy to run, does not require large capital, does not require a special place and does not

require business administration. The second largest number of MSEs in South Sumatra is MSEs engaged in the accommodation and food and drink provision sector (14.59%). This sector is growing amidst the increasing enthusiasm of local governments to increase tourism potential in South Sumatra. The progress of tourism is strongly supported by the availability of accommodation services and the provision of proper food and drink to increase the number of visits to South Sumatra. In addition, the culinary diversity of South Sumatra is also an attraction for tourist visits and the potential for developing culinary businesses.

The Covid-19 pandemic, which had a long-lasting effect in 2020, caused a boom in the number of Micro, Small and Medium Enterprises (MSME) in various regencies/cities in South Sumatra. Head of the SME Division of the South Sumatra Province Cooperative and SME Office, Dr Mega Nugraha said, the number of registered SME had increased dramatically compared to 2019. In 2019, there were 162 thousand SME, then in 2020 and as of December there were 427 thousand SME. This means that it has doubled, with the most additions being in Palembang and in the surrounding areas (Oktareza, 2021).

In Palembang, at least around 30 thousand MSME have been affected by a decline in productivity and the weakening of the economy, including the need for insufficient business capital due to the impact of Covid 19. The Head of Palembang Cooperatives and MSMEs Service, Ana Heriana through the Head of Micro Business Empowerment, Juanaria, explained that all MSME are good scale Small and large, have experienced a decline in turnover and some have even received no income at all since the Covid 19 pandemic. "

Table 1. SME Development Data per District of Palembang Until 2020

No	Districts	Business Unit			Total Business Unit
		Micro	Small	Medium	
1	Iilir Barat I	732	1.958	402	3.092
2	Bukit Kecil	652	1.258	258	2.168
3	Iilir Barat II	689	1.478	299	2.466
4	Gandus	464	682	119	1.265
5	Sukarami	1.299	3.259	712	5.270
6	Kemuning	545	1.113	212	1.870
7	Iilir Timur I	1.353	3.997	963	6.313
8	Alang-alang Lebar	529	1.041	201	1.771
9	Iilir Timur II	934	2.462	591	3.987
10	Iilir Timur III	679	1.221	222	2.122
11	Kalidoni	521	1.026	120	1.667
12	Sako	719	1.606	318	2.643
13	Sematang Borang	462	684	134	1.280
14	Seberang Ulu I	670	1.229	302	2.201
15	Kertapati	455	563	96	1.114
16	Seberang Ulu II	923	2.094	445	3.462
17	Jakabaring	575	1.175	176	1.926
18	Plaju	454	629	127	1.210
Jumlah		12.655	27.475	5.697	45.827

Source: Dinas Koperasi Kota Palembang, 2020

In data collection in 2019, there were 37,902 MSME actors from various culinary, handicraft, fashion, and service sectors. All of them were affected, but for the exact number we have not recorded in detail, clearly, is that all MSME under our auspices have felt the impact."

Juanaria said the main reason MSME in Palembang were affected was because there were no events or events taking place, due to restrictions at the beginning of the Covid-19 pandemic. To give enthusiasm and revive the spirit of MSME actors, when entering this new

normal life, his party takes steps to facilitate the needs of MSME by distributing direct assistance from the central government to MSME who are entitled to receive according to the requirements.

"This is done so that MSME get up, we monitor distribution even though it is through bank transfers to their respective accounts. In Palembang, there are around 12,202 MSME that get an aid allowance of Rp. 2.4 million. Those who really need it, in detail, know the channeling bank," In addition to assistance from the President, the affected MSME also received interest-free capital loans and collateral provided by the Palembang City Government (Pemkot) in collaboration with PT Bank Perkreditan Rakyat (BPR). This year the target is 4000 MSME, last year 4,020 were realized. Each trader or MSME gets a loan of IDR 3 million each and the issue of interest costs is subsidized by the Palembang Government. So that MSME can create jobs for other people with these businesses.

For MSME who wants to apply for a loan to a BPR, register directly with the village, sub-district, and Cooperative Office. Later the BPR will conduct a survey. Then the bank determines whether it is accepted. Even though they don't have BI checking there is no problem.

"The only requirement is to submit an application, by continuing to process, just prepare and don't be afraid to share it with us (the Cooperatives and SMEs Service)" (Agustiawan, 2020).

3.2 Policy on Social Safety Net Program in Empowering MSMEs in Palembang

One of the driving forces for the revival of MSME in Indonesia during the Covid-19 pandemic are the National Economic Recovery (PEN) programs. Cumulatively, the four program clusters that have become the focus of the PEN Task Force are the social protection sector, MSMEs, Ministries/Agencies and Local Governments (K/L/D) as well as cooperative financing which reached the realization of Rp. 277.68 Trillion in the first week of the fourth quarter of 2020.

One of the PEN Social Safety Net programs currently being implemented with the main target of receiving MSME actors is the Presidential Assistance Program (Banpres) for Productive Micro Enterprises (BPUM). The Presidential Assistance Program (Banpres) for Productive Micro Enterprises (BPUM) worth Rp. 2.4 million for MSME actors gave positive results to maintain and even develop the businesses of the perpetrators. The program, which was launched in August 2020, was 100% disbursed last October to 9 million target beneficiaries, namely, micro-entrepreneurs, who mainly have not been touched by banking services. The government has also increased the number of micro business actors who are beneficiaries of the BPUM to a total of 12 million MSME.

Head of KK Improvement for the Cooperative Service, Devi Anggraini, S.Si, MM, said that Palembang Government targets 5000 MSME throughout Palembang in 16 sub-districts and 107 sub-districts to receive the President's Assistance Program (Banpres) for Productive Micro Enterprises (BPUM) worth Rp. 2.4 million to SMEs. Coupled with a capital assistance program without interest and collateral starting from sellers of pempek, fried foods, tek-tek noodles, dumplings, meatballs and including traders in the market. Each trader or MSME gets a loan of Rp. 3 million each and the issue of interest costs is subsidized by the Palembang City Government. The purpose of this assistance program is to maintain and even develop the businesses of the perpetrators, so that MSME can create jobs for other people with these efforts.

Based on the data on the development of MSME in Palembang for a five-year period from 2016 to 2020 in the following table, it will be possible to know the effectiveness and contribution of the implementation of the PEN Social Safety Net program policy through the business capital assistance program from the President as well as interest-free capital loan

relief. and collateral provided by the Palembang City Government (Pemkot) in collaboration with PT Bank Perkreditan Rakyat (BPR) in supporting the success of empowering MSME during the COVID-19 pandemic in Palembang.

Table 2. Data Development of MSME in Palembang City Period of 2016 – 2020

No	Description	Unit	Years														
			2016	Increase/Decrease			Increase/Decrease			Increase/Decrease			Increase/Decrease				
				2017	Unit	%	2018	Unit	%	2019	Unit	%	2020	Unit	%		
1	Numbers of SMEs	Unit	36.101	36.601	500	1.4	37.101	500	1.3	37.902	801	2.1	45.827	7.925	17.3		
	Micro and Small Entrepreneurs	Unit	30.625	31.071	446	1.4	31.561	490	1.6	32.285	724	2.2	40.130	7.845	19.5		
	Medium Entrepreneur	Unit	5.476	5.530	54	1.0	5.540	10	0.2	5.617	77	1.4	5.697	80	1.4		
2	Working Capital and Investment (assets)	Rp.Jt	9.077.403	1.339.403	2.262.000	19.9	12.009.584	670.181	5.6	14.216.000	2.206.416	15.5	5.806.130	1.590.130	10.1		
	Micro and Small Entrepreneurs	Rp.Jt	3.734.884	4.394.009	659.125	15.0	5.054.134	660.125	13.1	6.192.050	1.137.916	18.4	7.667.900	1.475.850	19.2		
	Medium Entrepreneur	Rp.Jt	5.342.519	6.945.394	1.602.875	23.1	6.955.450	10.056	0.1	8.023.950	1.068.500	13.3	8.138.230	114.280	1.4		
3	Turnover	Rp.Jt	25.559.345	7.614.510	2.055.165	7.4	28.157.650	643.140	1.9	31.090.860	2.933.210	9.4	34.534.475	3.443.615	10.0		
	Micro and Small Entrepreneurs	Rp.Jt	10.554.862	1.556.782	1.001.920	8.7	12.056.800	500.018	4.1	13.390.060	1.333.260	10.0	6.581.525	3.191.465	19.2		
	Medium Entrepreneur	Rp.Jt	15.004.483	6.057.728	1.053.245	6.6	16.100.850	43.122	0.3	17.700.800	1.599.950	9.0	7.952.950	252.150	1.4		
4	Employment	Prs	142.122	149.586	7.464	5.0	150.616	1.030	0.7	153.173	2.557	1.7	186.217	33.044	17.7		
	Micro and Small Entrepreneurs	Prs	117.689	124.093	6.404	5.2	125.073	980	0.8	127.245	2.172	1.7	159.920	32.675	20.4		
	Medium Entrepreneur	Prs	24.433	25.493	1.060	4.2	25.543	50	0.2	25.928	385	1.5	26.297	369	1.4		
Average percent increase/decrease from the previous year (2016 – 2017)						8.4	(2017 – 2018)			2.4	(2018 – 2019)			7.2	(2019 – 2020)		13.8

Source: Dinas Koperasi Kota Palembang, 2020

Based on data on the development of MSME in Palembang for a five-year period from 2016 to 2020 in the table above, it shows that in general the number of MSMEs after the implementation of the MSME empowerment policy through the PEN Social Safety Net program with a business capital assistance program from the President and capital loan relief assistance without Interest and collateral provided by the Palembang City Government (Pemkot) in collaboration with PT Bank Perkreditan Rakyat (BPR) during the 2020 COVID-19 pandemic, experienced a high increase compared to 2019 which amounted to 37,902 business units. In 2020, the number of MSME business units consisting of micro and small business units and medium business units increased by 17.3 percent from the previous year, which was 45,827 business units.

The largest increase was in the MSME actors in the micro and small entrepreneur groups, which were 40,130 business units. This shows an increase in the number of business units by 19.5 % or 7,845 more business units compared to 2019 which amounted to 32,285 business units. Meanwhile, the development of the number of medium-sized business units did not increase significantly compared to 2019. In 2020, the number of middle-class businesses was 5,697 units, or only an increase of 1.4% (80 units) compared to 2019 (5,617 units). Along with the increase in the number of MSME business units only, this condition also has an impact on increasing all elements related to it, namely the working capital and investment (assets), turnover, employment, especially for the micro and small business unit actors. In 2020, the working capital and investment (assets) of micro and small business units are Rp. 7,667,900 (million). That is, an increase of 19.2% or Rp. 1,475,850 (million) higher than in 2019 which was Rp. 6,192,050 (million). In terms of turnover of micro and small business units increased to Rp. 16,581,525 (million). That is, an increase of 19.2% or Rp. 3,191,465 (million) higher than in 2019 which was Rp. 13,390,060 (million). The highest increase in micro and small business units in 2020 is on the side of employment.

The growing number of MSME business units also had a significant impact on employment, which increased by 20.4% higher than in 2019. In other words, the implementation of the PEN Social Safety Net program policy through the business capital assistance program from the President as well as interest-free capital loans and loans. As collateral for the Palembang City Government in collaboration with PT Bank Perkreditan Rakyat (BPR) as an effort to empower MSMEs during the COVID-19 pandemic, the number of workers that can be absorbed through the MSME business unit reaches 186,217 people (159,920 in micro and small business units, and 26,297). people in medium-sized business units).

Based on the description of the achievement data on the development of MSME in Palembang during the 2020 COVID-19 pandemic, it can be concluded that the implementation of the PEN Social Safety Net program policy is through the business capital assistance program from the President as well as interest-free capital loans and collateral. The Palembang City Government in collaboration with PT Bank Perkreditan Rakyat (BPR) is effective in empowering MSME business units during the COVID-19 pandemic.

The PEN Social Safety Net program policy was able to contribute positively to the survival of Micro, Small and Medium Enterprises during the Covid 19 pandemic in Palembang. This can be seen from increasing the number of business units, working capital and investment (assets) as well as turnover in both micro and small business units and medium business units. The most encouraging contribution through the empowerment of the MSME business unit is the very high number of workers that can be absorbed, reaching 186,217 people (159,920 in micro and small business units, and 26,297 people in medium business units). This means that the implementation of this policy is able to reduce the unemployment rate because workers have been laid off from their previous work due to the health crisis and economic crisis during the COVID-19 pandemic in 2020.

The successful implementation of the PEN Social Safety Net program policy through the business capital assistance program from the President as well as interest-free capital loans and collateral for the Palembang Government in collaboration with PT Bank Perkreditan Rakyat (BPR) in supporting the empowerment of MSME during the COVID-19 pandemic in Palembang is inseparable from the success of the government and related parties in carrying out the implementation process effectively and trying to find solutions to overcome all obstacles that can hinder the success of the program.

3.3 The Implementation Process of the Social Safety Net Program in Empowering MSME

Not only assistance from the President, affected MSME also received interest-free capital loans and collateral provided by the Palembang Government (Pemkot) in collaboration with PT Bank Perkreditan Rakyat (BPR). For MSME actors who want to apply for an interest-free capital loan and collateral to a BPR, prepare all personal data and the business being run, and register directly with the village, sub-district and Cooperative Office.

The Head of KK Improvement for the Cooperative Office, Devi Angraini, S.Si, M.M, explained that after all the required data were available, MSME actors could directly register with the village, sub-district and Cooperatives Office.

"The only condition is that you submit an application, continue the process, prepare it and don't be afraid to share it with us (the Cooperatives and UMKM Service)."

The same thing was said by MSME actors who applied for credit, Mr. Syaiful, a pempek culinary trader, Bukit Besar District Ilir Barat I and Maryadi, a fruit trader, Ilir Timur District I.

"To apply for a capital loan without interest and collateral is easy and not burdensome, as long as our data is available and complete as requested. And if we have difficulties, then the village, sub-district and related agencies will help."

Then the survey implementing officer from the BPR will conduct a survey and conduct an assessment of MSME actors who are prospective recipients of capital loans without interest and collateral. After conducting a survey and assessment, then the bank will determine whether it is accepted. Even though they don't have BI checking there is no problem.

Decision makers of the Social Safety Net program in empowering MSME through the PEN program in the form of business capital assistance from the President, as well as the Palembang Government (Pemkot) in collaboration with PT Bank Perkreditan Rakyat (BPR) which will be implemented involving government officials, SOEs, and the community of MSME business actors in the city of Palembang.

The implementation of the MSME empowerment program through the Social Safety Net PEN program in the form of capital assistance from the President and relief from interest-free capital loans and collateral provided by the Palembang Government (Pemkot) in collaboration with PT Bank Perkreditan Rakyat (BPR) has been running since mid-2020 until now.

Evaluation of MSME empowerment is using a formative evaluation that is carried out for each activity, after the activity is carried out, the empowerer provides direction on the activities that have been carried out and is usually in the form of feedback or questions and answers. Community empowerment through MSMEs will be followed up, the follow-up is by selling products to tourists or online or participating in exhibitions.

MSME business support system development activities regarding the promotion of MSME products by facilitating the participation of KUMKM in exhibitions both in Palembang and outside Palembang as a means of promoting KUMKM products from

Palembang. With empowerment, it is hoped that citizens will be more empowered, independent, and able to improve their welfare.

3.4 Supporting Factors for the Implementation of the Social Safety Net Program in Empowering MSME

Supporting factors in empowerment activities are socio-cultural support such as customs and norms, support from the Palembang Government through the Social Service and the Office of Cooperatives and SME. Cooperation with various parties ranging from government to private companies, adequate supporting facilities and infrastructure, adequate human resources and self-motivation from within and outside are needed to awaken the spirit of members.

3.5 Factors Inhibiting the Implementation of the Social Safety Net Program in Empowering MSMEs

Science is an inhibiting factor in the course of empowerment, because there are some residents who are still technologically savvy to know about modern entrepreneurship systems that are easier and more efficient. This makes it difficult for empowering members to dare to innovate to adapt to current developments.

Not all MSMEs receive information related to policy programs, meaning that information about these aid funds is not received by all micro and small enterprises, especially those who do not have access and adequate facilities.

The social service office receives SME data from the sub-districts of each area in Palembang, from the data on SME that apply for assistance through the sub-districts, they do not represent all business actors who really need assistance because they do not get transparent service information from local officials.

Small traders who do not have a business license, especially those who do not use banking services for financial matters, have a little difficulty and cannot even apply for direct assistance.

4 Conclusion

Based on the results of data analysis and discussion that have been described previously, several conclusions can be drawn as follows; The Social Safety Net program is effective in empowering Micro, Small and Medium Enterprises during the Covid 19 pandemic in Palembang. The Social Safety Net program is able to contribute positively to the survival of Micro, Small and Medium Enterprises during the Covid 19 pandemic in Palembang. This can be seen from: (i) The increase in the number of business unit actors, the amount of working capital and investment (assets), and the large turnover of the MSME business unit. (ii) Reducing the unemployment rate as a result of an increase in the number of MSME business units that are able to absorb a large number of workers. The obstacles faced in empowering Micro, Small and Medium Enterprises in Palembang during the Covid 19 Period were: (i) Science, because there were some residents who were still technologically stumped to know about the modern entrepreneurship system which was easier and more efficient. (ii) Not all MSME receive information related to policy programs. (iii) The data on MSME that apply for assistance through the sub-district are invalid, so they do not represent all business actors who really need assistance.

References

- Agustiawan, H. (2020). *30 Ribu UMKM Di Palembang Mengalami Penurunan Produksi*.
<https://rri.co.id/palembang/ekonomi/923165/30-ribu-umkm-di-palembang-mengalami-penurunan-produksi>
- Bank Indonesia. (2020). *Laporan Perekonomian Indonesia 2020*.
- Kementerian Keuangan. (2020). *Program Pemulihan Ekonomi Nasional*.
<https://www.kemenkeu.go.id>
- Oktareza, F. (2021). *Tahun 2020 Jumlah UKM di Sumsel Alami Lonjakan*.
<https://www.sonora.id/read/422522409/tahun-2020-jumlah-ukm-di-sumsel-alami-lonjakan>
- Pakpahan, A. K. (2020). Covid-19 dan Implikasi Bagi Usaha Mikro, Kecil, dan Menengah. *Jurnal Ilmiah Hubungan Internasional*, 59–64.
<https://doi.org/10.26593/jihi.v0i0.3870.59-64>
- Sugiyono. (2012). *Memahami Penelitian Kualitatif*. Alfabeta.
- Wiyono, A. (2020). *Program Jaring Pengaman Sosial di Tengah Pandemi*. Pusat Penyuluhan Sosial. <https://puspensos.kemensos.go.id/program-jaring-pengaman-sosial-di-tengah-pandemi>