

## THE ROLE OF REGIONAL GOVERNMENTS IN DEVELOPING UMKM POST-COVID 19

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### Abstrak

Pandemi COVID-19 yang melanda Indonesia selama hampir dua tahun dan kebijakan untuk menekan penyebaran pandemi COVID-19 mengakibatkan turunnya perekonomian daerah, seperti yang terjadi di Kota Madiun. UMKM yang diharapkan bisa menjadi solusi saat krisis juga terkena dampak kebijakan PSBB dan PPKM. Saat kasus Covid menurun, Pemda Kota Madiun mengembangkan UMKM agar perekonomian Kota Madiun pulih. Penelitian ini bertujuan untuk mengetahui (1) Bagaimana kebijakan pemerintah daerah terhadap UKM sebelum pandemi covid; (2) Bagaimana dampak kebijakan pemerintah daerah UMKM pasca Pandemi Covid. Metode penelitian yang digunakan adalah metode penelitian deskriptif kualitatif. Langkah-langkah tersebut dilakukan dengan teknik triangulasi. Hasil penelitian (1) Pemerintah Kota Madiun membuat regulasi untuk mendukung UMKM dan memberikan pelatihan kepada pelaku UMKM (2) Pengembangan 27 kios UMKM difokuskan untuk menumbuhkan ekonomi berbasis lokal di setiap kelurahan.

**Kata kunci:** Kebijakan pemerintah daerah, UMKM

### Abstract

*The COVID-19 pandemic that has hit Indonesia for almost two years and policies to reduce the spread of the COVID-19 pandemic have resulted in a decline in the regional economy, as happened in Madiun City. MSMEs, which are expected to be a solution during a crisis, are also affected by the PSBB and PPKM policies. When the Covid case declined, the local government of Madiun City developed MSMEs so that the economy of Madiun City recovered. This study aims to find out (1) How were local government policies for SMEs before the covid pandemic; (2) What is the impact of MSME local government policies in the post-Covid Pandemic. The research method used is descriptive qualitative research method. The steps are carried out with the triangulation technique. The results of the research (1) The Madiun City Government makes regulations to support MSMEs and provides training to MSME actors (2) The development of 27 MSME stalls is focused on growing a local-based economy in each kelurahan.*

**Keywords:** Local government policies, MSMEs

### INTRODUCTION

Since the government announced the existence of the covid 19 virus in Indonesia in March 2020 and called it a pandemic, it made a big change in Indonesian society at that time. The pandemic does not only attack the health of the human body but also has a tremendous impact on all sides, including the economy, education, tourism, and transportation, trade.

The government has made many efforts to reduce the spread of the COVID-19 virus in order to save human lives. In the early days of the COVID-19 virus being declared a pandemic in Indonesia, the government took steps to impose PSBB (Massive Restrictions) for several months. This policy often creates pros and cons in society, especially the lower economic class, most of whom depend on the

informal sector for their lives. A stay-at-home policy such as WFH has changed the state of the economy. The policy implemented to stop the spread of the COVID-19 virus until the time limit continues to be extended has resulted in many employees being laid off, crowds are not allowed, limiting the market, limited working hours for traders, impacted MSMEs. In fact, when the 1997 crisis occurred, MSMEs were able to support the economy because many former employees eventually switched to opening businesses and entering the MSME sector. However, when the pandemic occurred, the MSME sector was unable to become the savior of the economy. MSMEs in the 1945 Constitution Article 33 Paragraph (4) emphasizes that MSMEs are part of the national economy with an independent perspective and have great potential to improve people's welfare (Natasya and Hardiningsih). The ongoing COVID-19 pandemic has weakened people's purchasing power. Weakened purchasing power was due to a policy not to leave the house to reduce the spread of the covid 19 virus. Thus making MSME actors lose buyers and causing many MSMEs to close their businesses. Based on a survey from the Asian Development Bank (ADB) regarding the impact of the pandemic on MSMEs in Indonesia, 88% of micro-enterprises have run out of cash or savings, and more than 60% of these micro-small businesses have reduced their workforce. (Bambang Arianto, 2020). According to Gede Diva, in developing MSMEs, the effective and optimal role of the government is realized as a facilitator, regulator and catalyst: 1. The role of the government as a facilitator. As a facilitator. The government plays a role in facilitating MSMEs to achieve business development goals owned by MSMEs. If MSMEs have a shortage in the field of production, the task of the facilitator is to help provide MSME capabilities in various ways, for example by providing training. Not only that in the field of funding shortages, the task of the facilitator is to help find a way out so that MSMEs are able to get the funding they need, but it must be done carefully so that the position of MSMEs is not dependent. In the context of this facilitation, the government takes the form of money or subsidies for goods and services. Second, privileges, either in the form of waivers or

powers in cross-law times. Third, discretion. The facilities provided by the government can occur depending on how the government views the existence of MSMEs. Second, the government is apathetic or does not want to know about the development of MSMEs. Third, the government is neutral, which means that the government applies MSMEs the same as other business entities, there are no special rules for MSMEs. SMEs must compete with other business entities. Fourth, the government is sympathetic by providing guidance to MSMEs or encouraging motivation to protect MSMEs in making regulations. b. The role of the government as a regulator. The role of the government as a regulator is to make policies to make it easier for MSMEs to develop their businesses. As a regulator, the government functions to maintain a conducive business environment for making investments by regulating Bank Indonesia Interest Rates (SBI) and making policies on business competition rules. The government is parties who are able to apply the rules so that life can run well and dynamically. In carrying out the regulatory function, the government divides policy-making authority into two, namely the authority of the central government and the authority of local governments. Similar to the function of the central government, local governments also have a regulatory function for the people in their regions. C. The role of government as a catalyst . The role of local governments as a catalyst for the development of MSMEs is to accelerate the process of developing MSMEs into fast moving entries. Fast Moving Enterprises are SMEs that already have an entrepreneurial spirit and will transform into a big business. In order to achieve these goals but not involved in managing the whole process of change. The involvement of local governments is sometimes involved in managing the whole process of change. According to Suparmoko (2002) Regional Autonomy is the authority of autonomous regions to regulate and manage the interests of local communities according to their own initiatives based on community aspirations. The involvement of local governments in the whole process of change should not be carried out because too much involvement of the government's role in economic activities will cause the economy to

become inefficient because the market cannot run naturally. In order for the government to be able to carry out its role as a catalyst, the government takes various steps such as empowering creative communities to be productive instead of consumptive, appreciation for MSMEs, intellectual infrastructure for MSMEs (protection of intellectual property rights) and capital including venture capital or revolving capital (Gede Diva in Taranggana Gani Putra,). Programs from the central government to help ease the burden on people who have lost their livelihoods or whose income has been reduced due to the pandemic, such as BLT (Direct Cash Assistance). It has reached the community and has been proven to reduce the burden on the lower class and is considered capable of restoring the economy after the pandemic. Efforts to restore the economy are not only focused on the center, but the regions are also trying to improve the economy of their respective regions with regional autonomy. Based on (BPS) data, the trade and service sector is the main support for economic growth in the city of Madiun. This sector experienced a sharp decline when the covid pandemic occurred as a result of the enactment of policies to reduce the spread of the covid virus. The Madiun City Government of East Java is considered capable of reducing Covid and encouraging the regional economy, one of which is the development of MSMEs. The efforts of the Madiun City government in developing MSMEs are in line with the East Java governor's program through the East Java Empowerment in Nawa Bhakti Satya and Nawa Cita from the Center. According to Vina Natasya 2020, MSME actors have 4 problems faced during the Covid 19 pandemic, including the first decline in sales as a result of the PSBB rules, secondly capital difficulties due to difficult capital turnover, product distribution barriers, and raw material difficulties. (Dinas Tenaga Kerja Koperasi Usaha Kecil dan Menengah Kota Madiun) The policies carried out by the Madiun City government in improving the development of MSMEs also provide facilities in each kelurahan by forming 27 MSME stalls focused on growing a local-based economy in each kelurahan. (Tempo.co) So that it can strengthen the community's

economy. Because MSMEs are one of the supporters of the national economy.

## **METHOD**

The method used in this research is qualitative with descriptive qualitative approach. According to Moleong (2014:6) "qualitative research is research that intends to understand the phenomena of what is experienced by research subjects such as behavior, perception, motivation, action, etc. holistically, and in a descriptive way in the form of words and language, at a special context that is natural and by making use of various natural methods". Descriptive research is a type of research that deals with efforts to answer current problems and present them based on the data found. This type of descriptive research is used to answer the questions listed in the problem formulation well which are then presented in descriptive form, so that the problems discussed in the research can be answered properly. To support qualitative research, data sources are used with primary and secondary data. The primary data used include observation and interviews and the secondary data used include documentation . in qualitative research to test the validity of the data is done by triangulation technique. Moleong (2014:330) Triangulation is a technique of checking the validity of data that uses something else. The triangulation technique here combines interviews, documentation and observation. This study uses 5 informants who already represent all elements of the government, traders, consumers and the community. Observations were carried out by observing directly the MSME stalls developed by the Madiun City government. Documentation by taking reports from related agencies, journals and literature that support this research

## **RESULT AND DISCUSSION**

In accordance with the Madiun City government's mission of realizing economic independence and averaging the level of welfare of the people of Madiun City within the City of Madiun Caring (Panca Karya 4) which is aimed at helping MSMEs, among others, firstly eliminating user fees for Street Vendors (PKL) in Madiun City, creating job opportunities not only the formal sector but also the non-formal sector. Insurance for

informal sector workers in Madiun City, Elimination of parking fees for traditional markets. Capital assistance and HR development for SMEs in Madiun City, Madiun Display improves and develops local superior products in the Bakorwil 1 Madiun Region. The efforts made by the local government of Madiun City to restore MSMEs as economic drivers before, during and after the COVID-19 pandemic have been carried out with the support of assistance from the regional government.

1. Local government policies for SMEs before the covid pandemic.
2. Impact of MSME local government policies during the covid pandemic

**1. Local government policies for SMEs before the covid pandemic**

The local government of Madiun City in its work plan has prepared both in the form of the Madiun City government mission and various other regional regulations. One of the products in the form of assistance from related agencies such as the Manpower Service, Small and Medium Business Cooperatives, Madiun City, has started to build a gallery website for the superior products of MSMEs in Madiun City to be able to attend to facilitate MSME actors in terms of these problems. The reason that underlies the Office for making this application is because the business world has started to experience a shift from what was originally offline sales to online, the public interest who is comfortable and using the internet is good for finding information, now it is in demand as an ease of shopping by offering various features. that attracts consumers to shop. So that this makes the competition even tighter so that it encourages business actors to show better and different advantages and capabilities to be able to compete in business competition with various existing marketing strategies. Therefore, businesses need more than just developing a good product, offering it at an attractive price, and making it easy for customers to get. So it is necessary to have the right marketing strategy to market and attract the attention of consumers. And good innovation is needed to win the

competition and place a place in the minds of consumers because of intense competition in the business world. This website is used to accommodate all products from MSMEs in Madiun City virtually. The government's policy is contained in government regulation Number 7 of 2021 concerning Ease, Protection, and Empowerment of Cooperatives and Micro, Small and Medium Enterprises and issued by Madiun City Regional Regulation Number 31 of 2017 concerning Empowerment of Cooperatives and Micro Enterprises. There is training for MSME actors so that they can improve their ability to improve the taste of the menu and be able to provide friendly and courteous service to consumers.

**2. The impact of local government policies in developing MSMEs after the Pandemic**

There are policies to reduce the spread of the pandemic, such as the PSBB and PPKM policies that limit community activities outside so that they have an impact on the economy, one of which is MSME actors. One of the efforts of the Madiun City government to boost the economy after being hit by the pandemic was by building 27 MSME stalls spread across 27 Kelurahan. The development of 27 MSME stalls is focused on growing a local-based economy in each kelurahan. Development in all kelurahan is a form of equitable development in Madiun City and supports the national economic recovery program (PEN) from the central government. According to an interview with the Mayor of Madiun, the development of an MSME stall will provide opportunities for small traders to develop their business. In addition, the stalls are built in strategic places making it easier for residents to access their location. The hope from the development of this stall is that each kelurahan has its own icon as well as an economic cycle. In addition to local residents, the Madiun municipal government also brings tourists through the tourist bicycle path after the pandemic period is over. Not only that, it is a form of local government support for MSMEs in

the future, the consumption of all government events and activities from these MSMEs. For equity, a system of rotating villages is used to keep the village-level economy running so that it becomes an independent village. From the results of observations and documentation, it shows that MSME stalls are also monitored by the local government to ensure price, quality and cleanliness so that many buyers are satisfied with buying and can continue to buy. Devices at the kelurahan level should be more involved in providing guidance so that the superior products of each region are maintained. More than 700 MSMEs have been empowered to fill village stalls. Starting from the culinary business, fashion, to handicrafts. The budget issued by the Madiun city government has allocated a budget of Rp. 15 billion. Each district received a fund of Rp. 5 billion for this program. The positive response from the community is proven by the increasing number of residents who participate in selling and making housewives take part in selling. Not only residents and the city government but the company disburses its CSR funds to develop MSME stalls. Utilizing this CSR has also been carried out by MSMEs in Yogyakarta. Corporate Social Responsibility (CSR) is expected to be transferred to strengthen Micro, Small and Medium Enterprises to be able assist with capital and marketing. The implementation is carried out selectively to select MSME actors who will be given assistance in each sub-district in the city of Yogyakarta (Wuryandani and Meilani, 2013). This development also utilizes the rice fields by providing icons for additional economies, with the aim of farmers continuing to run and the economy continuing to grow. So that the City of Madiun becomes a tourist destination in West Java that can increase regional income.

## CONCLUSION

### 1. Local government policies for SMEs before the covid pandemic Madiun city government

The Madiun City Government has tried to compile what needs to be changed

and improved in developing MSMEs. Efforts made by the Department of Manpower, Small and Medium Business Cooperatives in Madiun City have begun to build a product gallery website the flagship of MSMEs in Madiun City to be able to be present to facilitate MSME actors in terms of these problems. Issued government regulation Number 7 of 2021 concerning Ease, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises and issued Regional Regulation of Madiun City Number 31 of 2017 concerning Empowerment of Cooperatives and Micro Enterprises. There is training for MSME actors so that they can improve their ability to improve the taste of the menu and be able to provide friendly and courteous service to consumers.

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