

Study on Strategic Policy New Normal Covid-19: Economic Recovery for MSMEs

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A. Introduction

The spread of the pandemic Corona Virus Disease (COVID-19) caused many losses in various countries. This loss has also hit Indonesia since COVID-19 began to infect in early 2020. Every day the number of victims that infected COVID-19 shows an increase that makes public anxiety and fear about COVID-19. The COVID-19 pandemic is not only caused a large number of casualties, threatened the health of citizens but also causes an economic downturn. It was experienced by almost all countries including Indonesia. The uncertain situation worsened economic stability in Indonesia.

The COVID-19 pandemic has several impacts on economic activity. The first is the Indonesian government imposed a flight ban in and out to the country in mid-February which led to a reduction in the number of domestic and foreign tourists, which also affected the number of hotel occupancy rates. The second is the activities to visit entertainment venues and the use of online transportation that have a significant reduction. So, breaking work ties becomes a choice taken by businesses to reduce production costs which impacts the loss of income.

As a form of countermeasure for the pandemic situation, on March 31, 2020, the Indonesian government has adopted 3 regulations related to the pandemic namely Presidential Decree No. 11 of 2020, it is concerning A Public Health Emergency Due To The Corona Virus DISEASE 2019 (COVID-19) (Presidential Decree No. 11 / 2020), Government Regulation in Lieu of Law Number 1 of 2020, it is concerning State Financial Policies and Financial System Stability for Handling the Corona Virus Disease (COVID-19) Pandemic and/or In Order to Face Threats that Endanger the National Economy and/or Financial System Stability (Perpu No. 1/2020), and Government Regulation No. 21 of 2020, it is concerning Large-Scale Social Restrictions in the Context of Accelerating Handling of Corona Virus Disease (COVID-19) (PP No. 21/2020). Definition of Large-Scale Social Restrictions (PSBB) is the limitation of certain activities of residents in an area suspected of being infected with COVID-19 in such a way as to prevent the possibility of spreading COVID-19. Criteria for Large-Scale Social Restrictions (PSBB), namely the number of cases and/or number of deaths due to disease increased and spread significantly and quickly to several regions and there are epidemiological activities with similar events in other regions or countries. Large-scale Social Restrictions (PSBB) include comforting schools and workplaces, restrictions on religious activities and/or restrictions on activities in public places or facilities. With the enactment of Large Scale Social Restrictions (PSBB), office activities are restricted, work and study are recommended from home (work from home) and most industrial activities are prohibited or stop operating temporarily which of course can cause economic losses.

Currently, Indonesia's economic growth is predicted to slow down. The Central Statistics Agency (BPS) recorded

economic growth in the first quarter of 2020 recorded only 2.97 percent, even the Ministry of Finance (Ministry of Finance), Bank Indonesia (BI), Central Statistics Agency (BPS) and the Ministry of PPN / Bapenas predicted that the quarter economy II-2020 will grow negatively (Kompas, 9 July 2020). CSIS analysis results (2020), before COVID-19 in Indonesia, economic growth in the fourth quarter of 2019 was below 5 percent (yoy), precisely at 4.97 percent (yoy), lower than the previous year's economic growth (2018) of 5.17 percent (yoy). Furthermore, he said, as a result of the ongoing world economic slowdown and inadequate handling of the spread of COVID-19 domestically, the most likely scenario in Indonesia in 2020 was a pessimistic scenario with economic growth ranging from 0-1.99 percent. If stagnation or the status quo from global and domestic conditions happens, the possibility of Indonesia's economic growth in 2020 is in the range of 2.0-3.99 percent. Positive scenarios can also be achieved if there are positive trends from the global and domestic situation so that Indonesia's economic growth in 2020 is likely to be relatively lower than in 2019, which is in the range of 4.00-4.99 percent (CSIS, 2020).

The COVID-19 pandemic also had a serious impact on Micro, Small, and Medium Enterprises (MSMEs) which could affect economic conditions in Indonesia including aspects of total production, trade value, and the number of workers who had to lose their jobs (Pakpahan, 2020). According to data from the Central Statistics Agency (BPS), after the economic crisis in 1997-1998, the number of MSMEs did not decrease, instead, it was continued to increase and able to absorb 85 million to 107 million workers until 2012. In that year, the number of entrepreneurs in Indonesia was 56,539,560 units, out of that number, the Micro, Small and Medium Enterprises

(MSMEs) were 56,534,592 units or 99.99 percent and the remaining was 0.01 percent or 4,968 units were large businesses (LLPI & BI, 2015). The data shows that MSMEs have a role in economic growth and employment. But in this pandemic situation, The Ministry of Cooperatives and Small and Medium Enterprises (MSMEs) received many complaints. There were 949 reports of cooperatives and MSMEs that were affected by the COVID-19. The complaints of MSMEs include 774 cooperatives and MSMEs or equal to 68 percent complaining that the sales have decreased, 63 cooperatives and MSMEs or 6 percent they have material difficulties, 111 cooperatives, and MSMEs, or equal to 10 percent they have delayed distribution, as many as 141 cooperatives and MSMEs or equivalent to 12 percent they have capital problems and as many as 42 cooperatives and MSMEs, or equivalent to 4 percent, they have delayed production (Kompas, 2020).

The impact of COVID-19 urges the government to immediately take a stand to prevent pressure on the sustainability of MSME businesses in Indonesia. One of them is the establishment of policies to maintain and guarantee the sustainability of the MSMEs business. The determination of these policies is expected to be able to provide solutions faced by MSMEs during the pandemic for the sustainability of MSME businesses in Indonesia.

B. Discussion

The policy is a measure of what will be done based on problems and needs. To determine a policy also requires public aspirations so that the policy is taken can be a solution to various problems faced by the community. To formulate a good policy, the first step that must be done, which is critical, it is how to formulate the problem correctly (Alamsyah, 2016). Facing economic and

business challenges due to the COVID-19 pandemic, various types of approaches are needed, including macro approaches through government policies and micro approaches through MSMEs management in business (Thaha, 2020). Thaha (2020) states that in a macro approach the government must consider at least 3 important actions, namely:

1. The government must announce the sunset article on current economic and business support measures and progressively adopt a more focused support strategy for recovery.
2. The government must ensure that the flow of companies that enter and exit is gradually carried out in a way that supports inclusive recovery (that is, without further burdening those most affected by the crisis, such as youth, women and migrants)
3. Government support must reach entrepreneurs and MSMEs who can improve economic and community resilience in the post-COVID 19 eras.

Macro through company policy requires business management in Business Cycle Management by:

1. Creating change as an opportunity to achieve success.
2. See differences between people or phenomena as opportunities, not as difficulties.
3. Experimenting to find renewal towards business growth.
4. Become an expert for your own business.
5. Be a servant to others and be humble.

In line with the statement above, the Government of Indonesia through the Ministry of Finance issued Government Regulation (PP) No. 23 of 2020 concerning the Implementation of the National Economic Recovery Program in the Context of Supporting State Financial Policies for Handling the Corona Virus Disease 2019

(COVID-19) Pandemic and / or Facing Threats that Endanger the National Economy and / or Stability of the Financial System and Saving the National Economy. The National Economic Recovery Program (PEN) is part of the response to the reduction in community activities that have an impact on the economy, especially the informal sector or MSMEs. The purpose of the issuance of the National Economic Recovery (PEN) program is to protect, maintain, and enhance the economic capacity of businesses in conducting their business during the COVID-19 pandemic. For MSMEs, this program is expected to be able to extend the business activities and improve the performance of MSMEs that contribute to the Indonesian economy.

As part of the National Economic Recovery program (PEN), the government has prepared an interest subsidy scheme and loan principal payment relief for Micro, Small, and Medium Enterprises (MSMEs) to survive in the pandemic of a total of Rp 35.28 trillion for 60.66 million beneficiary accounts which consist of (kemenkeu.go.id):

1. Interest subsidies of Rp 34.15 trillion
2. Tax Incentives of Rp 28.06 trillion (PPh 21, Final PPh, and UMKM DTP)
3. Guarantee for new MSMEs working capital loans of Rp 6 trillion

The interest subsidy of Rp 34.15 trillion consists of:

1. Rp 27.26 trillion through BPR, Banking, and Financing Companies
 - a. For Micro and Small Enterprises
Delay installments and 6 percent interest subsidies for the first 3 months and 3 percent for the next 3 months.
 - b. For Medium Enterprises

Delay of installments and interest subsidies of 3 percent for the first 3 months and 2 percent for the next 3 months.

2. Rp 6.40 trillion through KUR, UMi, Mekaar, and Pegadaian in the form of postponement of principal installments and interest subsidies for 6 months.
3. Rp. 0.49 trillion through online, cooperatives, farmers, LPDB, LPMUKP, UMKM LGs in the form of 6 percent interest subsidies for 6 months.

In order the funds to be effective and well-targeted to help MSMEs, the government revised Minister of Finance Regulation Number 65 / PMK.05 / 2020 to Minister of Finance Regulation Number 85 / PMK.05 / 2020 concerning Procedures for Giving Interest Subsidies / Margin Subsidies for Credit / Micro Business Financing, Small and Medium Enterprises to support the implementation of the National Economic Recovery (PEN) program. The goal is to make it easier for MSMEs to get interest subsidy facilities provided by the government.

Besides, the policy in the form of tax incentives is also applied by the government. The policy is regulated in Minister of Finance Regulation No. 86 / PMK.03 / 2020 concerning tax incentives for taxpayers affected by the pandemic of Corona Virus Disease 2019 (COVID-19) which took effect July 16, 2020 replacing Minister of Finance Regulation No. 44 / PMK.03 / 2020 regarding tax incentives for taxpayers affected by the pandemic of Corona Virus Disease 2019 (COVID-19). The regulation replacement was carried out to expand the sector to be provided with the tax incentives needed during the recovery period of the national economy by facilitating the wider use of incentives. In the Minister of Finance Regulation 86/2020, the coverage of Income Tax Article 21 DTP incentives from initially totaling 1,062 business

field classifications (KLU) was expanded to 1,189 business field classifications (KLU). Coverage of Article 22 income tax exemption facility from 431 business field classifications (KLU) expanded to 721 business field classifications (KLU) and article 25 income tax installment discount coverage expanded from 846 business field classifications (KLU) to 1,013 business field classifications (KLU) and restitution VAT was accelerated from 431 business field classifications (KLU) to 716 business field classifications (KLU) (DDTC, 2020).

In the collaboration between Kadin Indonesia and DDTC Fiscal Research explained that based on article 7 paragraph (1) Regulation of the Minister of Finance 44/2020, taxpayers who have a certain gross circulation are taxpayers who receive or earn income with gross circulation does not exceed Rp 4.8 billion in one tax year must submit a report on the realization of the final PPTP DTP. Report on the realization of the use of tax incentives is a report that must be compiled and submitted by taxpayers who utilize incentives of PMK 44/2020. The realization report is needed as a basis for the Directorate General of Tax (DGT) to calculate the amount and value of the incentives provided. Besides, the realization report is also used for monitoring purposes so that the incentives given are right on target. In accordance with article 7 paragraph (2) of PMK 44/2020, the realization report of final PPh DTP includes PPh owed on income received or obtained by taxpayers including from transactions with cutters or collectors. DTP final PPh incentives are given based on the realization report submitted by the taxpayer as long as the taxpayer already has a Certificate before the report is submitted (DDTC, 2020)

While in Minister of Finance Regulation 86/2020, almost all sectors are given incentives for Income Tax 21, including MSMEs. All MSMEs taxpayers have their income

tax borne by the government and the time is extended until December 2020. Besides, MSMEs no longer need to prepare information and reports, it is sufficient to submit information on the number of incentives used to facilitate MSMEs. MSMEs taxpayers do not need to make tax payments and tax collectors or tax collectors do not deduct or collect taxes when making payments to SMEs. MSMEs actors who utilize this facility no longer need to submit PP 23 Certificate but only submit monthly realization reports (Kompas, 2020). Income tax incentives based on Government Regulation No. 23 of 2018 at PMK 44/2020 and PMK 86/2020 are subject to a final income tax rate of 0.5 percent of the total gross circulation borne by the government.

In addition to utilizing several policies provided by the government, MSMEs actors are also required to be more creative and observant in seeing opportunities as well as challenges in social life. MSMEs must be able to find solutions during new normal conditions. MSMEs must also be able to adapt immediately to the changes in the existing system. Like when the implementation of PSBB where many consumer behaviors transact from offline to online. Thus the SMEs must be able to develop digital strategies as part of the new normal adaptation. There are three things that must be considered in designing digital strategies for MSMEs namely content, databases, and advertisements (Kompas, 2020). Besides, using digital marketing and payment transactions with non-cash is able to support MSME businesses to survive and develop in new normal. One of them is that Bank Indonesia (BI) encourages SMEs to conduct payment transactions digitally using the Indonesian Standard Quick Response Code (QRIS) (Kompas, 2020). Indonesian Standard Quick Response Code (QRIS) is the integration of various kinds of QR from various Payment System Service Providers

(PJSP) using QR Code. QRIS was developed by the payment system industry with Bank Indonesia (BI) to make the transaction process with QR Code easier, faster, and safeguarded (BI, 2020).

The government aims to make 10 million MSMEs businesses go digital by the end of the year to help them ease the financial burden during the pandemic. It aims to increase the segment of SMEs that have digitalized their businesses, which currently for 13 percent of around 60 million small businesses, but SMEs that have not digitalized their businesses suffer losses due to the COVID-19 pandemic which could slow Indonesia's economic growth (Jakarta Post, 2020). By utilizing digital to create change as an opportunity for MSMEs business growth, it will be able to increase the sustainability of MSMEs productivity to support the Indonesian economy.

C. Conclusion

From the description above it can be concluded that in the face of the COVID-19 pandemic, several policies in the form of regulations have been implemented by the government to anticipate losses that might be caused by the pandemic. These losses not only to health but also the economy. Enforcement of Large Scale Social Restrictions (PSBB) by working and learning from home is one of the solutions implemented by the Indonesian government to prevent the increasingly widespread pandemic transmission.

To prevent the impact on the Indonesian economy that affects Indonesia's economic growth, a number of Ministry of Finance regulations are implemented by the government to provide convenience and facilitation for economic actors in Indonesia. One of them is for SMEs. With the enactment of the Minister of Finance Regulation

Number 85 / PMK.05 / 2020 and the Minister of Finance Regulation Number 86 / PMK.03 / 2020, it is expected that MSMEs actors can take advantage of all the facilities and relief provided for the sustainability of the MSMEs business itself, including regarding incentives and tax rates which is applied for SMEs. In the Minister of Finance Regulation No. 86 / PMK.03 / 2020, it is stated that almost all sectors are given incentives for Income Tax Article 21 including MSMEs. All MSMEs taxpayers have their income tax borne by the government and the time is extended until December 2020. Income tax is subject to final tax at a rate of 0.5 percent of the total gross income borne by the government. In addition, MSMEs no longer need to prepare information and reports, it is sufficient to convey information on the amount of incentives used to facilitate MSMEs. In addition, by utilizing the digitization method in conducting business at MSMEs, it can simplify and help to increase sales and the sustainability of MSMEs productivity.

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