

Financial Support on SMEs Impact of the Covid 19 Pandemic: A Literature Review

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ABSTRACT

The purpose of this literature review is to reveal the role of financial support for MSMEs as a result of the Covid-19 pandemic. This paper is sourced from secondary data with a review approach from the previous article. Several articles from various countries have produced that finance has a very important role in the sustainability of MSMEs. Restrictions on community activities as an effort to prevent exposure to Covid-19 impact the decline of the economy in various countries, which results in a decline in the performance of MSMEs. The decline in people's purchasing power impacts the decline in aggregate demand for goods and services, causing a decrease in income for MSME actors. Under these conditions, MSMEs need financial support from various parties for their business continuity. With financial support (capital strengthening or financing), it is hoped that MSME actors can continue their business amidst the economic crisis due to the Covid-19 pandemic. It can be concluded that financial support provides strength for MSMEs to cover operational costs and survive in conditions of economic crisis. Financial support can be in the form of disbursing stimulus funds in cash or credit, tax reductions, credit interest relief, deferral of tax payments, reduced rental fees, exemption from administrative costs to open access to financing or capital. Apart from financial support, it is also carried out to accelerate the digitization of MSMEs to open access to market expansion. Also, the women's business empowerment program (Puspa) from the East Java provincial government to increase family income.

Keywords: Covid-19, Financial support, SMEs.

INTRODUCTION

MSMEs in various economic conditions can prove themselves capable of contributing to a country's economy. In some countries, MSMEs have become economic pillars because their role in contributing to GDP is very large through their contribution to providing employment, empowering economic resources, driving the investment climate, and contributing to national income. In addition, MSMEs also have a big role in increasing economic growth, so that the

development of MSMEs is an indicator of the level of economic growth of a country.

In the process, MSMEs face many problems that require the attention of many parties to help solve these problems. MSMEs face common problems include financial, marketing, and human resource problems. According to Jindrichovska (2014), good financial management is very important to be applied to MSMEs so that their finances are stable and safe to be sustainable. Financial management is not limited to systematic and correct administration, but the most important thing is to

obtain sources of funds or financing as capital strengthening for business continuity.

The end of 2019 was a heavy blow to the economy due to the emergence of the Coronavirus (Covid-19). The very fast spread of COVID-19 from Wuhan to countries worldwide is a disaster for the health sector. The very fast transmission of the virus and can lead to loss of life has forced the governments of almost all countries in the world to lock down at the WHO's recommendation by declaring a Covid-19 pandemic that applies internationally. The lockdown for almost three months at the beginning of 2020 had a tremendous impact on various sectors, especially the economic sector, which became paralyzed due to social distancing, which closed the interaction of producers with consumers, investors with clients, and sellers with buyers. These restrictions cause heavy pressure for business actors because he never imagined the events that would impact his business (Torr's et al., 2021b). The implementation of various restrictions on community activities in various cities of every country in the world due to the Covid pandemic presents new problems and challenges for business actors, especially small entrepreneurs.

Small business actors are relatively slow in responding to government policies related to regulations for preventing and handling the spread of Covid-19. It is also possible for small businesses to have a lower ability to adapt to changes during the Covid-19 pandemic, which causes social distancing. Of course, this restriction resulted in a decrease in small business income, which resulted in losses and even bankruptcy during the economic crisis due to the Covid-19 pandemic. When a small business does not operate due to low demand and high fixed costs in business operations, small-scale entrepreneurs lay off their employees. Many small businesses have closed because they cannot face production and marketing barriers. Of course, changing the offline interaction service strategy to online requires very high costs, such as: providing the web, expanding the network, speeding up delivery services, and providing online transaction applications. This condition is

certainly very difficult for small business actors who are also due to limited digital literacy so that they are slow in overcoming the problem.

The social distancing policy issued by the government limits all activities such as religious, social activities in public places, closing schools, agencies, modes of transportation, tourist attractions, and everything that allows large crowds of people. The impact of the Covid-19 pandemic in various sectors resulted in the paralysis of the economy in the 2nd quarter of 2020 due to a decrease in sales turnover. The decline in sales turnover resulted in a decrease in operating income and an increase in the number of unemployed due to MSMEs not operating (closing) or companies downsizing by laying off employees to reduce operating expenses. Many people have lost their jobs; many entrepreneurs are afraid that people's purchasing power will decline, so they cannot maintain their business. The decline in turnover during the Covid-19 pandemic was felt by all business actors, which of course, cannot be allowed to continue. Almost two years of Covid-19 has not ended, but the economy must rise from adversity. Therefore it needs attention and strengthening from various parties, especially in this era of digitalization, business is increasingly competitive.

In principle, small businesses cannot access the financing needed to respond to changes such as the Covid-19 pandemic that requires adjustments and strengthening of financial management due to lower liquidity reserves, limited collateral held, and uncertainty in the realization of loans from creditors or withdrawing funds. investors during the economic crisis. (Fairlie et al. 2021).

With the outbreak of the 2019 Coronavirus (Covid-19), many business actors have implemented procedures to combat the impact of the outbreak and their reactions to their businesses about economic actors, both individuals, authorities, and other businesses (Ranakpur, 2021). In addition to business actors, the government has also taken various ways to prevent the spread of COVID-19 exposure. Efforts to prevent the spread of COVID-19 carried out by the government through the

implementation of social distancing restrictions have limited the capacity of shoppers or outlets providing fulfillment services, thus preventing customers from visiting. This causes a decrease in sales turnover, so many businesses are closed. There is even a growing concern in the community that small businesses may not be able to recover one hundred percent from the economic paralysis due to the COVID-19 pandemic (Pereira,

This condition is also supported by the research results of Torres et al. (2021) that the COVID-19 crisis presents a real threat and challenge for entrepreneurs because their business continuity is directly at stake given the alarming economic downturn. This existential threat is the reason for the many public financial support schemes implemented worldwide, taking into account the important role of business actors in the economy.

The economic shock caused by the lockdown is a heavy blow for MSMEs. Although the impact is on all sectors, it is not evenly distributed. The uneven economic impact across the productive sectors resulted in MSMEs being more affected than large firms during a recession (Bartik et al. 2020). With the implementation of the lockdown, the problems faced by MSMEs are a reduction in the supply of labor, restrictions on human interaction, self-isolation, decreased capacity utilization, and disruptions in the supply chain. In addition to these problems, it will also automatically impact consumption demand which results in problems with the flow of business income, both from delays in payments and low investment (Coibion et al. 2020).

(2020) that the Covid-19 pandemic is a series of negative elements such as decreased expectations, fear of infection, increased uncertainty about economic conditions, low incomes, decreased consumption levels, and contraction of bank credit have triggered a dramatic shift in the economy. Financial market. Lower MSME income can lead to low liquidity and solvency problems. Prior to the pandemic, MSMEs had credit restrictions that exacerbated liquidity constraints and created working capital problems (Pedauga, 2021)

A similar opinion was also expressed from the results of previous research conducted by Buffington et al. (2020) that several aspects can measure the performance of small businesses, namely: 1) changes in operating income; 2) supply chain constraints, temporary operational closures, and cash flow positions. Operating income directly measures operating income, while supply chain constraints are symptomatic of challenges posed by problems in other businesses and have implications for the economy as a whole, while cash flow position can be used as an indicator of failure for small businesses;

Financial availability is identified as a major factor in MSMEs' development, growth, and success. Therefore, access to finance is critical to the sustainable growth and profitability of the small and medium enterprise (MSME) sector through its role in facilitating the creation of new businesses. MSMEs are also expected to continue to innovate to encourage growth and development of existing businesses, which in turn encourages national economic growth (Abdulsaleh, 2013). The greater the contribution of SMEs to the economy, the more they need a better understanding of financial behavior and management. Various sources of financing are available for MSMEs, including Islamic financing methods. To achieve a deeper understanding of MSME financing decisions,

The above phenomenon is the basis for writing this article to examine the role of financial support for MSMEs during the Covid-19 pandemic. The author tries to dig up information through a study approach to review articles and study documentation to redefine the role of financial support for MSMEs due to the Covid-19 pandemic.

METHOD

The writing design used is the literature review method, where this paper is sourced from secondary data from literature reviews and document studies to collect the information needed to support the written study. The information collected will be studied in-depth and

analyzed to obtain a general understanding and definition as a basis for linking the conceptual framework to be interpreted and obtain new conclusions or information related to financial support for MSMEs due to the Covid-19 pandemic. Snyder (2019) said that literature review is a research methodology that aims to collect and extract the essence of previous research and analyze several overviews of experts written in the text.

The literature review in this paper is carried out by identifying and downloading reputable international journals as reference materials to be studied. After the articles were collected, the researchers grouped several articles obtained based on the relevance of the topic. Articles are preferably published in the last five years, but if there is knowledge or discussion that has not changed, it will be expanded into articles with the last ten years of research. Systematically, the literature review in this paper used for our stages: 1) Formulating problems, 2) searching for literature, 3) evaluating data, and 4) analyzing and interpreting. The systematic review of literature can be further elaborated as follows:

1. Formulating the Problem

- a. Choose a topic that suits your interests
- b. Choose the problem completely and accurately.

2. Searching the literature

- a. Looking for literature relevant to the research topic

- b. Get an overview (overview) of the research topic

- c. source-research sources that support knowledge of the topic under study.

3. Evaluating Data

- a. Reviewing contributions to the topics discussed

- b. Determining the data sources that are needed to support research can be in the form of qualitative data, quantitative data, or data that comes from a combination of the two.

4. Analyze and Present

- a. Finding and summarizing literature
- b. Presenting the results of a literature review.

So, in summary, in this paper, the first step is to search for related articles from reputable international journal articles, classified and mapped to get relevant journal articles. Then it is read carefully and tabulated to facilitate tracing, which is analyzed from various aspects, namely objectives, abstracts, methodology used, data sources, results, and conclusions. After that, it is analyzed and interpreted.

Previous research.

Previous research is a source used as a reference or a benchmark for researchers to write and analyze a study.

Table. Previous Research

| No | Author's name, year | Research sites | Findings and Results |
|----|-----------------------------------|----------------|---|
| 1 | Maxim Belitski, et.al, 2021 | German | The period from December 2019 to June 2020. Survey results in December 2020: America 43% of 5800 MSMEs closed, Europe 20% of 5016 declining turnover. Various policy measures: deferral of tax payments, reduced rental fees, exemption from administrative fees, subsidized R&D costs for MSMEs, social insurance subsidies, subsidies for training and purchase of teleworking services, and additional MSME funding. |
| 2 | dorr, Julian Oliver, et al., 2021 | German | About 1.5 million small enterprises The ongoing COVID-19 crisis has placed a special role on policies to soften the adverse economic impact faced by many companies. It is seen that most of the small companies are experiencing severe |

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|----|------------------------------|--------------|---|
| | | | financial difficulties and will go bankrupt without policy assistance |
| 3 | Robert Fairlie, et al. 2021 | California | Effects of COVID-19 on small business sales and revenue. Data from financial account transactions at JP Morgan Chase (JPMC) showed that small business revenues fell 30-50% in late March and early April and 40% through May. Small businesses may need more support from the government and consumers |
| 4 | Pereira Igor, et al, 2021 | Brazil | Engaging 48,000 home businesses per week for more than four weeks. The need for greater response from policymakers in designing policies that are more conducive to long-term prosperity |
| 5 | Olivier Torrs et al., 2021 | French | 7 French entrepreneurs with the average temporal comparison and two French entrepreneurs with cross-sectional analysis. calls for expansion of the entrepreneurship support system beyond the financial area to also include the "care for entrepreneurship" aspect, |
| 6 | Luis Pedauga et al., 2021 | Spanish | For micro, small, medium, and large companies. In particular, MSMEs helped explain the 43% of income and two-thirds of the drop in unemployment caused by the COVID-19 pandemic. |
| 7 | Ting Zhang, et al. 2021 | US | 43% of small businesses they surveyed closed temporarily and cited fragile financing with less than a month's worth of cash |
| 8 | Godfred Anakpol, et al. 2021 | south Africa | focused on businesses registered with Value Added Tax (VAT) recommends policy interventions and industry actions to promote it. Second, it is also recommended that financial bailouts and the Internet infrastructure, and domestic support for small businesses and exports can make them more resilient to the devastating effects of the epidemic. |
| 9 | Bahtiar, RA (2021) | Indonesia | Public enthusiasm for the acceleration of cutting exposure to Covid-19 by vaccination has generated confidence that the UNKM sector will recover in 2021. This is also strengthened by the National Economic Recovery (PEN) program for the MSME sector, credit restructuring to ease the burden of MSME loan installments. |
| 10 | Gunadi, et al. (2021). | Indonesia | Research results show that MSMEs experienced a decline in income in the second month of the pandemic and faced financial and non-financial difficulties. |
| 11 | Affandi, A, at.al (2020) | Indonesia | The government, to support MSME finances to be sustainable and develop their business during the Covid-19 pandemic by optimizing MSME empowerment by providing easy capital, providing raw materials, restructuring credit, and training for MSME actors. |
| 12 | Block, J. H, et al. (2021) | German | The results show that the severity of the crisis for businesses, the level of private consumption, and the entrepreneurial experience are positively related to the increased use of bootstrap financing measures which contribute to the literature on bootstrap financing and explain how entrepreneurial enterprises maintain liquidity in a crisis. |

RESULT and DISCUSSION

Previous research findings in various countries The impact of the Covid-19 pandemic has caused people's purchasing power to decline and turnover to decline due to social restrictions imposed by the relevant countries. If this continues, MSME actors will likely close even though it is proven that MSMEs can contribute to economic growth in every country. Therefore, countries in the world acted quickly to overcome the impact of the Covid-19 pandemic on the economy so that it would not be prolonged by providing stimulus to business actors, especially MSMEs.

The acceleration of handling the economic downturn must be done immediately to save MSMEs. The main problem in almost every country is financial. The conditions of social restrictions impact decreasing social interaction and result in a decrease in turnover. Therefore, financial support for MSMEs is needed in the form of financing sources such as equity financing, bank financing for MSMEs, debt to non-bank institutions, and government assistance and initiatives. Each country has made a stimulus for business actors to accelerate economic recovery, especially MSMEs. From OECD's monitoring, 46 out of 59 countries, including Indonesia, as of July 2020, have provided cash and direct credit assistance to MSMEs. The number of these countries can increase because the policy of providing incentives for small businesses continues to develop. However, the results of a World Bank survey show that the Covid-19 pandemic has had an impact on many MSMEs who have difficulty paying off loans and even paying electricity, gas, and employee salaries, so layoffs must be carried out. Other obstacles faced by MSMEs are obtaining raw materials, capital, declining customers, product distribution, and production delays.

The form of stimulus provided by each country varies according to local government policies. The form is direct financing to MSMEs, providing subsidies, assistance, and credit guarantees for the MSME sector. Interestingly, the local government also provides a structural

policy by eradicating MSMEs from being 'digital-blind.' Based on OECD monitoring, Germany is the most aggressive country in Europe in providing stimulus for MSMEs with the largest portion of €50 billion (equivalent to Rp. 844 trillion). On the other hand, the United States (US) is the most superior in terms of stimulus value for MSMEs, with a total value of US\$ 2.5 trillion (the largest in the world). In addition to taking emergency rescue policies, developed countries worldwide have also taken more structural policies, namely accelerating the digitization of MSMEs, helping penetrate international markets, encouraging innovation, and retraining the workforce. The structural policy not only targets short-term targets (overcoming the effects of the pandemic) but also strengthens the competitiveness of MSMEs post-pandemic.

In Indonesia, the government provides several stimuli through loan restructuring policies, additional capital assistance, easing electricity bill payments, credit reconstruction, and other financing support. To restore the MSME sector, the Indonesian government has restructured credit, plans to form a micro-ultra SOE holding as well as the National Economic Recovery (PEN) program, which is focused on responding to declining community activities so that the impact on the economy, especially the MSME sector, is strengthened by Bahtiar (2021) through their research. The government of East Java Province has also strengthened the community's economy through the Women's Business Empowerment program (PUSPA), which is an economic recovery program from the impact of Covid-19 with a focus on increasing the income of Beneficiary Families (KPM).

The program launched by the East Java government in 2020 for communities affected by Covid-19 is specifically for women who have businesses and at a welfare level of 8% to 12%. So local government assistance in the form of financial assistance to Beneficiary Families (KPM) can take advantage of this financial strengthening as working capital that encourages the community's economic recovery. It is hoped that with financial support, this women's empowerment effort can increase KPM's income

to continue and develop its business sustainably. Therefore, the target of the East Java Provincial government to disburse funds to increase KPM income is not for consumptive activities but productive activities so that the efforts of these women survive the Covid-19 pandemic.

The PUSPA program continues until 2021, considering that the Covid-19 pandemic is prolonged until 2021. This assistance worth 2.5 million per family is in the form of non-cash capital goods according to the needs of each family so that the KPM goal is to increase family income on target and by the initial concept that KPM assistance is to increase family income. Capital goods can be in the form of a refrigerator for selling ice, a washing machine for a laundry business, or a group for selling.

Of the various government programs to recover the economy during the Covid-19 pandemic above, the government still has to provide assistance and guidance consistently and be evaluated periodically so that MSME actors can survive and be competitive independently. Government intervention in the recovery of MSMEs during the Covid-19 pandemic will encourage MSMEs to overcome the problems they face. For this reason, financial support for MSME actors is expected to be used to expand the market through digital marketing, product differentiation, and innovation in packaging to increase sales turnover.

CONCLUSION

The Covid-19 pandemic is a black cloud for business actors, especially MSMEs. The new problems caused by the Covid-19 pandemic are the responsibility of various parties to overcome them. MSME actors are faced with the choice of going out of business or surviving with all the risks. The general problem faced by MSME actors in every country globally is almost the same, namely financial problems, where it is difficult to pay loans, pay operational costs, including employee salaries, so the choice is to reduce employees. Not a few business actors choose to close because of financial difficulties. Therefore it requires attention and support from

various parties, especially financial support. Various government efforts were made as an effort to accelerate economic recovery as well as to save MSMEs through various forms such as pouring out stimulus funds in the form of cash or credit, reducing taxes, reducing credit interest, deferring tax payments, reducing rent costs, exempting administrative fees to opening access to financing or capital. . Apart from financial support; it is also carried out to accelerate the digitization of MSMEs to open access to market expansion. Even in increasing family income, the East Java Provincial government has provided women's business empowerment programs. Apart from financial support, it is also carried out to accelerate the digitization of MSMEs to open access to market expansion. Even in increasing family income, the East Java Provincial government has provided women's business empowerment programs. Apart from financial support, it is also carried out to accelerate the digitization of MSMEs to open access to market expansion. Even in increasing family income, the East Java Provincial government has provided women's business empowerment programs.

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