

CHAPTER I

INTRODUCTION

1.1. Background

Covid-19 is a virus that originates from China that spreads all over the world with fast time. As a result of spreading The virus has had a major impact on the whole world. In Indonesia, the impact of Covid-19 19 have an effect on several sectors, ranging from from health, economy, education and more many more sectors are affected by the existence of covid-19. According to Febrantara (2020) and OECD (2020), the impact of the Covid-19 pandemic towards MSME can be seen from the supply and demand side. Fr om the side offer, in light of the Covid-19 pandemic, Many SMEs experience a shortage of manpower work. It happened for reasons of keeping worker health and implementation social distancing. Second the cause leads to reluctance people to work temporarily The pandemic still has Covid-19. On the side demand, reduced demand for goods and services have an impact on SMEs not can function optimally which leads to reduced company liquidity. This causes people to lose income, because SMEs are not capable pay workers wages. On condition worst case, layoffs occur unilaterally, in (Sugiri, 2020).

The existence of the Covid-19 Pandemic does not only have an impact on the health aspect, it will but also have an impact on the global economy. The World Bank estimates the global economy will shrink 5.2% this year. Gross Domestic Product or Gross Gross Domestic Product in various countries is expected to contract due to demand, supply, trade, and finance are severely disrupted due to the Covid-19 Pandemic (Hadad, 2020).

Indonesia's economic growth in Q1-2020 Year On Year is still relatively good with the growth of Gross Domestic Product (GDP) around 2.97. but, at the moment The domestic economy in Indonesia has been destructive in terms of supply and demand. From the supply side, producers have difficulty in obtaining raw materials, because: almost 60% of raw materials are obtained from imports. Currently, the industry that can still survive the Covid-19 Pandemic where the raw

materials are sourced locally, Meanwhile, in terms of demand, business actors experienced a decline in request (Ananda, 2020).

Currently there are 75% of MSME experiencing a decline in sales and sales profits can drop by more than 50%. Then from 58.76% MSME decided to lower prices to maintain its business. SMEs from the group micro and ultramicro that rely on physical sales or stores tend to experienced a decline in sales of more than 75% (Ananda, 2020).

During the Covid-19 pandemic, the government has issued a stimulus for MSMEs whose allocation is around 123.46 trillion. Fiscal stimulus provided by the government for MSME in the form of interest subsidies, UP spending, final PPh for DTP SMEs, placement of funds for restructuring, guarantees for working capital, investment financing for cooperatives through LPDB KUMKM. However, currently the stimulus budget for MSME has not yet been implemented fully realized. The budget was only realized by 0.06% (Rachbini, 2020).

Data Comparison of Conditions Before Pandemic and When Affected by Covid-19 Pandemic

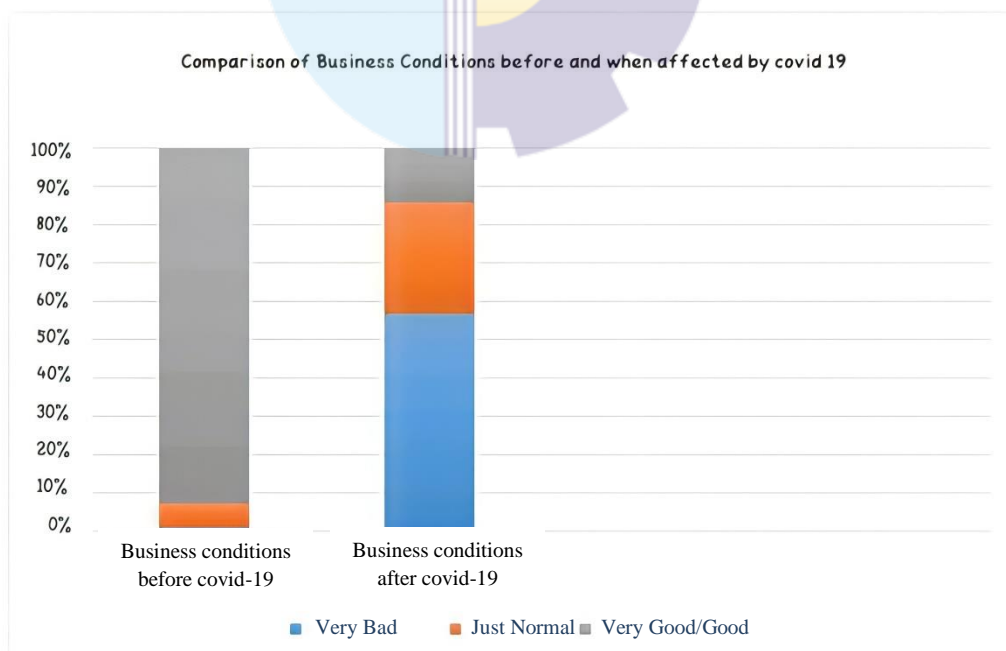


Figure 1
Comparison of Business Conditions Before the Pandemic and Affected by the Pandemic.
Source: Katadata Insight Center (KIC) at the National Seminar, august 11, 2020.

There are very significant comparisons regarding business conditions before and when affected by Covid-19 in general. According to the assessment of the exposure in the chart sourced from Katadata Insight Center at the Virtual Seminar on August 11, 2020, stated that the conditions before Covid-19, the percentage of good business conditions or very good by 92.7 percent, the percentage of ordinary business conditions by 6.3 percent, and bad business conditions or very bad by 1.0 percent. Where in the percentage before the entry of Covid-19 is considered to run smoothly, not many obstacles, and the lack of bad conditions in the business. However, if you look at the current business conditions (as of June 2020) according to the survey that has been exposed in the graph sourced by Katadata Insight Center (KIC) that bad business conditions or very bad increased by 56.8 percent compared to the original only 1.0 percent. Ordinary business conditions also increased by 29.1 percent from just 6.3 percent business conditions well or very well decreased, which was originally 92.7 percent to 14.1 percent. So it can be concluded that there are various impacts of the condition during the covid-19 pandemic, according to the Ministry of Coordinating Economic Affairs of the Republic of Indonesia there are several impacts that arise, namely: Decreased demand and declining sales, decrease in activity, difficulty up to business closure (temporary or permanent), distribution is hampered, difficulty of raw materials, difficulty getting business capital. This pandemic causes a change in consumer purchasing patterns, although many consumers have made online purchases, but some consumers still make purchases online or come to shopping centers directly. This is sntak many people who complain because they feel loss. Including with micro small and medium enterprises.

The impact of the Covid-19 pandemic was also felt by regions in Indonesia, one of which was Bengkalis. The pandemic is not only a health problem, but also has a profound impact on the community's economy. The impact of covid-19 is very clear, most MSME in Bengkalis are directly or indirectly affected and secondary impacts. Where the impact he is currently experiencing is a decline in sales, acquisition of raw materials, payment of employee salaries and loans. Since the spread of the coronavirus, many problems

have arisen due to the pandemic. All activities are limited to prevent the spread of the coronavirus. Which is something that makes people nervous. Residents must obey the health protocols set by the government, do not crowd and stay at home to be free from the danger of coronavirus. Because the coronavirus outbreak quickly spreads to the community, in preventing the spread of Covid-19 it causes the community's economy to slump. Small business actors who usually sell food to consumers in several places cannot move and are greatly affected by Covid-19. Merchants are having problems selling their wares because it is difficult to find buyers during the pandemic, so their income has decreased.

Tabel 1 MSME Culinary of Bengkalis City

No.	Type of Business	Amount
1.	Kerupuk Amplang	7
2.	Kerupuk (Kerupuk Ampia)	1
3.	Kerupuk	1
4.	Keripik Pisang Cokelat	1
5.	Keripik Singkong	1
6.	Bolu Cermai	1
7.	Kue Basah	3
8.	Kue Basah/Kering	15
9.	Cake	1
10.	Kue	1
11.	Ikan Asin	2
12.	Jualan Madu	1
13.	Usaha Mie Sagu	1
14.	Lempok Durian	1
15.	Belacan	1
16.	Dodol Ketan	1

Source : Julia Ningsih 2020

Based on the background listed above, the author is interested in conducting research aimed at finding out the impact of covid-19 on MSME, through a study entitled " Study To Impact of Covid-19 Pandemic on Micro, Small and Medium Enterprises (MSME) in Bengkalis".

1.2 Formulation of the Problem

Based on the study discussed from the background above, it can be obtained Problem Formulation how the impact of Covid-19 Pandemic on MSME in Bengkalis.

1.3 Purpose of the Study

From the formulation of the above problem, it can be determined the purpose of research are to know:

1. To find out the impact of Covid-19 on MSME in Bengkalis
2. To find out the obstacles experienced by MSME during Covid-19
3. To find out the solutions from obstacles that experienced by MSME during Covid-19

1.4 Significance of the Study

Based on the above research objectives, the expected benefits in this study are as follows:

1. Benefits of Theory
This research is expected to be a reading material and information in further research as well as in the development of science, especially related to factors that affect business success.
2. Practical Benefits
This research can be used as a guide or recommendation for management practitioners who carry out business activities, especially those related to research objects and as reference materials in future research.

1.5 Scope and Limitation of the Problem

Based on the above background, that the problems related to the topic of research are very broad, therefore, the author needs to create limitations on the problem. The limitation of the problem is the Impact of Covid-19 Pandemic on MSME in Bengkalis. This research only focuses on MSME in Bengkalis.

1.6 Writing System

Systematics of writing this Report is compiled 5 chapters, where each chapter will be subdivided into sub-chapters that will be discussed in detail. Here is the Systematics of each chapter and its brief description:

CHAPTER I : INTRODUCTION

In chapter 1 explains the background of the problem, problem formulation, research objectives and the systematic writing of a study in the final research report.

CHAPTER 2 : LITERATURE REVIEW

In chapter 2 explains about previous research and theoretical basis in this final research contains the theory that underlies the research that comes from books / literature published nationally or internationally for at least the last 10 years.

CHAPTER 3: METHODS AND PROCESS OF RESEARCH COMPLETION

Chapter 3 explains the identification of the location, time and object of research, types and sources of data, population and samples, sample collection techniques, data collection techniques, data processing techniques, scale measurement, data analysis methods, types of research, concept definitions and operational variables.

CHAPTER 4 : RESULTS AND DISCUSSION

In chapter 4 explaining the results of testing, discussion and limitations of research results, discussion of the results obtained is made in the form of theoretical explanations, either qualitatively, quantitatively or statistically.

CHAPTER 5: CONCLUSION In chapter 5 explains the conclusions and suggestions from the research that has been carried out.