



Creating Welfare for Micro, Small, and Medium Enterprises During the Covid-19 Pandemic: Role of the State

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Abstract

The Covid-19 pandemic has weakened the performance of the financial services industry and ruined the Indonesian economy and the welfare of society, including the creative economy sector. Access to finance is often a major problem for Micro, Small, and Medium Enterprises (MSMEs). The role of MSMEs is very much needed in multidimensional, namely economic, social, environmental, and community. However, the role of MSMEs is often constrained in terms of capital accessibility. This study focuses on how the legal protection for MSMEs in the welfare state and how the role of the State in realizing welfare for MSMEs during the Covid-19 Pandemic. This research uses normative juridical research, namely examining material law which contains normative legal principles. This study concludes that first, welfare will be realized if the Government is able to provide legal protection to MSMEs. In order to provide legal protection for MSMEs, this is realized through the existence of Law Number 20 of 2008 concerning MSMEs. Second, the Government has compiled 9 programs to anticipate the impact of Covid-19 on MSMEs. The form of support provided starting from coaching, mentoring, and funding is an effort by the state to prosper the community, especially MSMEs.

Keywords: Micro, Small, and Medium Enterprises; Covid-19 Pandemic; Society Welfare

A. Introduction

The World Health Organization (WHO) on March 11, 2020, officially declared that the spread of Corona Virus Disease 2019 (Covid-2019) was a pandemic¹ that attacked globally including Indonesia. To reduce the spread of Covid-19, the Government of Indonesia issued Government Regulation No. 21 of 2020 concerning Large-Scale Social Restrictions

¹ “Implikasi Keppres COVID-19: dari Kedaruratan Kesehatan hingga Darurat Bencana,” Fakultas Hukum Ubaya, accessed July 21, 2022, <https://hukum.ubaya.ac.id/implikasi-keppres-covid-19-dari-kedaruratan-kesehatan-hingga-darurat-bencana/Implikasi>.

(LSSR) to accelerate the control of Covid-19. In addition to the social restriction policy, all agencies and institutions including business entities also implement the Work From Home (WFH) system.² The implementation of LSSR and WFH has immobilized economic activities which has an impact on decreasing people's income and increasing layoffs. The decline in people's income affects their ability to meet credit obligations.³ The Covid-19 epidemic that hit Indonesia had a negative impact on human life. All aspects of human life are affected, one of which is in the economic field.⁴

The Covid-19 pandemic has weakened the performance of the financial services industry and ruined the Indonesian economy and the welfare of society,⁵ including the creative economy sector. Not only prominent entrepreneurs, Micro, Small, and Medium Enterprises (MSMEs) are also under pressure.⁶ MSME parties, who before Covid-19 did not use e-commerce, felt a significant economic impact. According to the Organization for Economic Co-operation and Development (OECD), 50 percent of MSMEs in Indonesia went bankrupt in December 2020.⁷

Reflecting on the economic crisis in 1997, unstable economic conditions had a negative impact. Many parties have become victims of the impact of the crisis, which has caused many business parties or companies to carry out massive layoffs to reduce their outcomes and maintain business stability. As a result, hundreds of thousands of people were forced to lose their jobs. They do not get stuck but look for various ways to rise from the misery. Some choose to conduct buying-selling businesses, service businesses, product processing, and so on. During the economic crisis, MSMEs were proven to be able to act like buffers and safety valves in supporting economic growth and providing alternative

² "Ketentuan Pelaksanaan Work From Home di tengah Wabah Corona, oleh: Bernadetha Aurelia Oktavira," Hukum Online, accessed June 21, 2022, <https://www.hukumonline.com/klinik/a/ketentuan-pelaksanaan-iwork-from-home-i-di-tengah-wabah-covid-19-lt5e7326fd25227>.

³ Marwah, "Relaksasi Kredit Perbankan di Daerah Wisata yang Tertimpa Bencana Alam," *Jurisprudentie* 6, no. 1 (2019): 125, <https://doi.org/10.24252/jurisprudentie.v6i1.8127>.

⁴ Maryanto, Munsharif Abdul Chalim, and Lathifah Hanim, "Upaya Pemerintah dalam Membantu Pelaku Usaha UMKM yang Terdampak Pandemi Covid-19," *Audi Et AP Jurnal Penelitian Hukum* 1, no. 1 (2022): 1-11, <https://doi.org/10.24967/jaeap.v1i01.1484>.

⁵ Retno Sari Dewi, "Perlindungan Konsumen di Era Pandemi Virus Corona," *Jurnal Fakultas Hukum Universitas Tulungagung* 6, no. 1 (July 2020): 38, <https://doi.org/10.36563/yustitiabelen.v6i1.223>.

⁶ Djairan, "Sandiaga Uno: Perlindungan Hukum dalam Pembiayaan UMKM Solusi Bangkitkan Ekonomi Kreatif dari Keterpurukan," iNews.id, February 20, 2021, <https://www.inews.id/finance/makro/sandiaga-uno-perlindungan-hukum-dalam-pembiayaan-UMKM-solusi-bangkitkan-ekonomi-kreatif-dari-keterpurukan>.

⁷ Dewi Rina Cahyani, "47 Persen UMKM Bangkrut Akibat Pandemi Corona," Tempo, May 20, 2020, <https://bisnis.tempo.co/read/1344540/47-persen-umkm-bangkrut-akibat-pandemi-corona>.

employment opportunities for formal sector workers affected by the crisis. MSMEs can survive in crisis times because they are not too dependent on imported raw materials in the production process and the source of funds for small businesses generally comes from within the country so they are not too affected by the depreciation of the rupiah.⁸

Conditions in 1997 were different from conditions during the Covid-19 pandemic. During the 1997 economic crisis, MSMEs were the saviors of the Indonesian economy. When many industries collapsed, MSME exports increased by up to 350 percent. This increase is the impact of the high US dollar exchange rate so that the export of MSMEs, which mostly are the furniture and local raw materials for marine and agricultural products, increases with a high US dollar value. Amid the Covid-19 pandemic, the global economy is stagnant.

Access to finance is often a major problem for MSMEs, especially business loans and investment loans. This is due to the absence of assets as collateral and untidy financial reports.⁹ Government involvement is important to facilitate Indonesian business parties to stay afloat to build the national economy. In addition to a conducive climate and adequate infrastructure, Government policy support in favor of MSMEs will also reduce unemployment and meet domestic needs.¹⁰

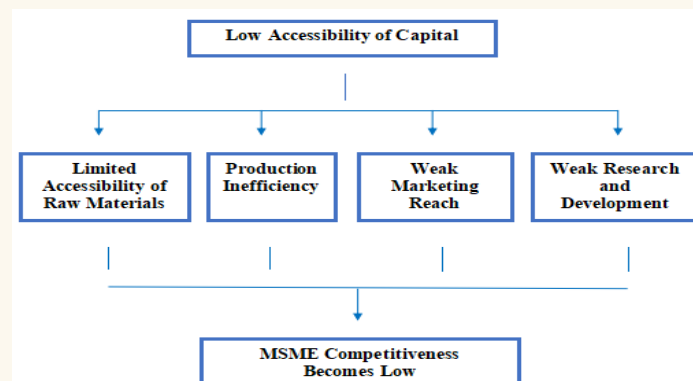


Figure 1. Implications of Problems due to Low Capital Access for MSMEs¹¹

⁸ Rachmawan Budiarto, *et.al*, *Pengembangan UMKM Antara Konseptual dan Pengalaman Praktis* (Yogyakarta: Gadjah Mada University Press, 2016), 5.

⁹ Hartono and Deny Dwi Hartomo, "Faktor-Faktor yang Mempengaruhi Perkembangan UMKM di Surakarta," *Jurnal Bisnis & Manajemen* 14, no. 1 (2014): 15-30, <https://doi.org/10.20961/jbm.v14i1.2678>.

¹⁰ Maulana Ibrahim, "Mendorong Peran UMKM dalam Perekonomian Indonesia Masa Depan" (Paper presented at ESEI Economy Debate, 2004), 8, Research Paper.

¹¹ Lokot Zein Nasution, "Meneropong Arah Sektor Keuangan - Peranan UMKM Dalam Mendorong Percepatan SDGS," *Warta Fiskal* III (2021): 46, https://fiskal.kemenkeu.go.id/files/warta-fiskal/file/1637682231_wafis_ed3rev3-compressed.pdf.

Several studies have examined the role of local Governments in developing SMEs affected by Covid-19.¹² Then research with Government Policy in Empowering MSMEs during the Covid-19 Pandemic in Indonesia,¹³ and the impact of Government stimulus for MSMEs in the era of the Covid-19 pandemic.¹⁴ Based on this literature, no one has researched the role of the State in realizing welfare for MSME actors during the Covid-19 Pandemic which is associated with the theory of the Welfare State, where the state is required to realize general welfare. This study focuses on how the legal protection for MSMEs in the welfare state and how the role of the State in realizing prosperity for MSME parties during the Covid-19 Pandemic. This study applied normative juridical research, namely reviewing material law that contains normative legal rules.¹⁵ The approach was taken by first examining various relevant laws and regulations along with documents that can help to address what the problem was and what was discussed in this study and the extent to which Indonesian law regulates the matter.¹⁶

B. Discussion

B. 1. Legal Protection for MSMEs in Welfare State

The welfare state is the Government of a country that is considered responsible for ensuring a minimum standard of living for all its citizens. The idea of a welfare state in Indonesia is different from the concept of a welfare state in Western Europe. The concept of this country became the obsession of many new countries in Asia that became independent after World War II. Several countries in Asia such as South Korea, Taiwan, and Singapore can be said to have succeeded in building welfare states.¹⁷

¹² Nungky Wanodyatama Islami, Fajar Supanto, and Arisanto Soeroyo, "Peran Pemerintah Daerah dalam Mengembangkan UMKM yang Terdampak Covid-19," *Jurnal Karta Rahardja* 2, no. 1 (2021): 45-57, <https://ejournal.malangkab.go.id/index.php/kr/article/view/44/23>.

¹³ Wilfarda Charismanur Anggraeni, Wulan Puspita Ningtiyas, and Nurdiah, "Kebijakan Pemerintah dalam Pemberdayaan UMKM di Masa Pandemi Covid-19 di Indonesia," *Journal of Government and Politics* 3, no.1 (2021): 47-65, <https://journal.ummat.ac.id/index.php/JSIP/article/view/5354>.

¹⁴ Nurmita Sari, Muhammad Rizki, and Keisha Dinya Solihati, "Dampak Stimulus Pemerintah untuk UMKM pada Era Pandemi Covid-19," *Journal of Business Administration Economic & Entrepreneurship* 3, no. 1 (April 2021): 1-8.

¹⁵ Bahder Johan Nasution, *Metode Penelitian Ilmu Hukum* (Bandung: Mandar Maju, 2008), 86.

¹⁶ Bas Schotel, "Legislation, Empirical Research and Juridical Law," *The Theory and Practice of Legislation* 1, no. 3 (2013): 501-32, <http://dx.doi.org/10.5235/2050-8840.1.3.501>.

¹⁷ Darmawan Triwibowo and Sugeng Baharijo, *Mimpi Negara Kesejahteraan* (Jakarta: Perkumpulan Prakarsa LP3ES, 2006), XV.

The welfare state refers to the active role of the state in managing and organizing the economy to provide social rights to the citizens. The welfare state aims to free its citizens from dependence on market mechanisms to obtain welfare by making the right of every citizen to carry out their business, especially in the trade sector. The state has a big role and responsibility in providing basic social needs as well as redistributing economic resources to its citizens without excluding their economic and social status so it is very dependent on the large role and ability of the state to manage its national economy.¹⁸ The realization of the welfare state is determined by the integrity and quality of the state administrators, accompanied by the support of a strong sense of responsibility and humanity radiated to every citizen.¹⁹

Law is an agent of modernization and an instrument of Social Engineering.²⁰ Laws change frequently and the direction of legal development in Indonesia is an integrated activity. The direction of development is to create equity and social justice.²¹ Realizing welfare for its people is the duty of the Government or the state as stated in the preamble of the 1945 Constitution which is “the general welfare of all people.” The fourth paragraph of the 1945 Constitution reads: “To form a Government that protects the entire Indonesian and all of Indonesia’s bloodshed and to promote public welfare, educate the nation’s life and participates in carrying out world order based on independence, eternal peace, and social justice.” The law must consider interests carefully and must strike a balance between these interests. Van Dijk, as quoted by Peter Mahmud Marzuki, stated that the law functions to create an orderly, prosperous state. This can be presented when the law provides as much as possible a fair arrangement.²²

Welfare state is considered as the most appropriate response on the form of state involvement in advancing the welfare of the people. This belief was reinforced by the emergence of empirical facts about the failure of the market (market failure) and the failure

¹⁸ Nanang Indra Kurniawan, *Globalisasi dan Negara Kesejahteraan: Perspektif Intitusionalisme* (Yogyakarta: Laboratorium Jurusan Ilmu Pemerintahan FISIPOL UGM, 2009), 2.

¹⁹ Thomas Tokan Pureklolon, “Pancasila Sebagai Etika Politik dan Hukum Negara Indonesia,” *Law Review* XX, no. 1 (July 2020): 73-86, https://ojs.uph.edu/index.php/LR/article/view/2549/pdf_1.

²⁰ Sumantoro, *Hukum Ekonomi* (Jakarta: UI Press, 1996), 179.

²¹ *Ibid.*, 180.

²² Peter Mahmud Marzuki, *Pengantar Ilmu Hukum* (Jakarta: Kencana Media Group, 2006), 189.

of the state (state failure) in improving people's welfare. According to Goodin²³ the welfare state is often associated with the distribution of existing resources to the public, either in cash or in the form of certain (cash benefits or benefits in kind). The concept of well-being are closely linked to socio-economic policy of working to realize the people's welfare in general. Some of the most urgent areas for attention in welfare policy is a matter of education, health and employment. In general, a country can be classified as a welfare state if it has four main pillars, namely: (1) social citizenship; (2) full democracy; (3) modern industrial relations systems; and (4) the rights to education and the expansion of modern mass Educations systems.²⁴

Welfare will be realized if the Government can provide legal protection to MSMEs. Protection of MSME parties will provide national economic benefits. MSMEs are businesses that can expand employment opportunities and provide broad economic services to the society and play a role in the process of equity and increase people's income. In addition, MSMEs as one of the main pillars of the national economy must obtain the main opportunity, support, protection, and development as widely as possible as a form of the state's support to people's economic business, as well as in the activities of home-based industries and joint business groups without neglecting the role of large businesses and state-owned enterprises.²⁵

The role of MSMEs is needed in multidimensional, namely economic, social, environment, and society. However, the role of MSMEs is often hampered by the aspect of capital accessibility. The low accessibility of capital has an impact on the difficulty of the parties facing a very competitive business environment due to the globalization process and the effects of disruptive technology. With limited access to capital, the role of MSMEs as a driving force for the economy is hampered due to delayed business decision-making. MSMEs need fast business decisions to meet market demand, on the one hand, they need to access raw materials, production processes, and marketing distribution.

To reduce inequality in the context of realizing an increase in people's welfare, economic development is carried out that actively involves the entire society so that the

²³ Henry T Simarmata, *Negara Kesejahteraan dan Globalisasi: Pengembangan Kebijakan dan Perbandingan Pengalaman* (Jakarta: PSIK Universitas Paramadina, 2008), 19.

²⁴ Oman Sukmana, "Konsep dan Desain Negara Kesejahteraan (Welfare State)," *Jurnal Sospol* 2, no. 1 (2016): 103-22, <https://doi.org/10.22219/sospol.v2i1.4759>.

²⁵ Government Regulation Number 17 of 2013 concerning the Implementation of Law Number 20 of 2008 concerning MSMEs, General Provisions.

results can be enjoyed by the entire Indonesians. The existence of MSME parties is a manifestation of the economic life of the majority of Indonesian people, thus placing the role of MSME parties as the main route for the development of a people's economic system. The existence of Law No. 20 of 2008 concerning Micro, Small, and Medium Enterprises, has stimulated public awareness that the existence of MSMEs is highly prioritized for national economic growth and definite protection for MSMEs.

In Articles 7 and 8 of Law Number 20 of 2008 concerning MSMEs, it has been mandated to the Central Government and Regional Governments to grow the business climate by establishing laws and policies covering aspects, one of which is funding. The funding policy is shown to expand funding sources and facilitate MSMEs in bank/non-bank credit to expand financing institutions and expand their network, provide convenience in obtaining funding and assist MSMEs in obtaining finance for other financial services/products with Government guarantees.

Business development is a form of effort to the business itself so that it can develop for the better and to reach a success point or peak. Business development is carried out by businesses that have begun to be processed and it appears that there is a possibility to go further. Business development is a state of increasing sales turnover.²⁶ The Government, both the central Government and local Governments, always strives to provide support to MSMEs to turn MSMEs into independent and resilient businesses. The forms of support provided include coaching, mentoring, and funding. In an implementation, there has not been a synergy between the Government and business capital providers (financing institutions) so there are still some obstacles faced by business parties to build a business. The fact is, the existence of an MSME has a fairly large impact on the country's economy.

For this reason, the role of the Government is great to deliver MSME parties to be able to obtain convenience. Indonesia has around 58 million MSMEs spread across the country. Most of them do not have access to bank loans. More than 50 million MSMEs in Indonesia are considered unbankable and from Rp. The 4.505 trillion loans disbursed by the Government are only around 900 trillion which flows to MSMEs.²⁷ Analyzing from time to

²⁶ Purdi E Chandra, *Trik Sukses Menuju Sukses* (Jakarta: Grafika Indah, 2000), 121.

²⁷ "Mengapa UMKM Indonesia Kesulitan dalam Mengakses Pinjaman Bank?" Kabar Mekar, accessed June 21, 2022, <https://www.google.com/amp/s/blog.mekar.id/kenapa-UMKM-indonesia-kesulitan-mengakses-pinjaman-bank/amp/?espv=1>.

time, the development of MSMEs in Indonesia is quite fast so it is called one of the pillars of the economy in this country. MSMEs have an influence on economic stability and increase the country's income or foreign exchange. The existence of MSMEs can lift the community from the abyss of poverty and even out the economic level of the small people.

The state plays an active role in supervising the sustainability of MSMEs in order to avoid fraud committed by other business actors to the detriment of MSME actors in Indonesia. The state has an obligation to provide training, legal counseling, socialization to the community, so that people get better education in the process of developing MSMEs in Indonesia. Government and with NGOs and other parties involved in development.

In this technological era, the Government has determined that MSME parties should update marketing techniques by utilizing existing technology.²⁸ Optimization through technology tools to social media such as WhatsApp, Facebook, Twitter, Instagram, and YouTube is used as a tool to introduce and sell products, a media to communicate between sellers and buyers, plus, at this time more and more e-commerce platforms and marketplaces are emerging with their advantages to make it easier for MSME parties. The use of technology can cut marketing costs so that these costs can be allocated for operational costs to increase sales. The Ministry of Cooperatives and MSMEs and the Ministry of Communication and Information together with e-commerce parties initiate a program called 8 million MSMEs Go Online to grow the number of MSME parties in cyberspace.²⁹ With this collaboration, the Government hopes to be able to accelerate the process of transforming MSMEs into digital system in Indonesia.

B. 2. The Role of the State in Realizing Welfare for MSMEs during Covid-19 Pandemic

In Indonesia, MSMEs have an important role in national economic development. Besides the role in economic growth and employment, MSMEs also contribute to distributing the results of development. In the development of MSMEs, capital is the main problem faced

²⁸ "Sejarah UMKM di Jember," Medium.com, accessed June 21, 2022, <https://medium.com/@fegimerina/sejarah-UMKM-di-jember-8bae248c81f8>.

²⁹ "Kemenkop UMKM: 3,79 Juta UMKM Sudah Go Online," Kominfo.go.id., accessed June 21, 2022, https://kominfo.go.id/content/detail/11526/kemenkop-UMKM-379-juta-UMKM-sudah-go-online/0/sorotan_media#:~:text=Saat%20ini%2C%20jumlah%20UMKM%20di,platform%20online%20dalam%20memasarkan%20produknya.

by MSME parties. The ability of MSMEs to access banking financing sources is always hindered by the technical requirements of banking, which is the existence of collateral. This makes it difficult for MSME entrepreneurs to access this financing. The Government as a policy maker must have a capital financing policy that supports the micro, small and medium business sector. Through financing with low interest and easy requirements, this sector can develop and be competitive so that it becomes one of the supporting sectors for national development.³⁰

The existence of MSMEs makes people more creative and productive so that they can rise from being their own boss. So that it does not depend on other people which in the end has an impact on economic equality, namely that the community has sufficient income. Through MSMEs, products that smell of culture can be introduced to foreign countries. This is also supported by the digital era that makes it easy for MSMEs to reach a wider market share with low operational costs.

In the era of globalization where MSMEs must be able to face economic liberalization and be able to avoid economic exploitation, it is necessary for the state to be present and provide legal protection through regulations or policies to create prosperity. The Government facilitates and invites related parties to make the existence of MSMEs more developed in order to support national welfare. The principle of protection in economic law, especially the activities of MSMEs, includes the economic principles in the 1945 Constitution; The principle of protecting national interests; The principle of protection in international law and civil law; The principle of protection for weak economic support; The principle of protecting national interests in the GATT; and the principle of fair business competition.

According to Friedmann in welfare state concept, there are four functions of the state in the economic system, namely: (1) the state as a guarantor (provider), (2) the state as a regulator, (3) the state as an economic actor (entrepreneur), and (4) the state as a guardian (umpire). In its function as a guarantor related to the concept of a welfare state in this capacity, the state is responsible for providing and providing social services in providing a minimum standard of living and providing concessions or freedom of economic power.

³⁰ Etty Mulyati, *Kredit Perbankan Aspek Hukum dan Pengembangan Mikro Kecil Dalam Pembangunan Perekonomian Indonesia* (Bandung: Refika Aditama, 2016), 8.

MSME parties who went out of business begin to reorganize their system by entering the digital ecosystem, for instance, selling through social media platforms (Instagram, Facebook, Marketplace) and with Grab and Gojek. However, the number of MSME parties who move to the digital ecosystem is still relatively small due to several things, such as MSME parties do not have expertise in technology, do not have sufficient capital to carry out digital promotions, and there are also terms from the digital platform that only accepts certain types of MSMEs.³¹

Providing easy financing for MSME entrepreneurs is one of the efforts of financial institutions to improve people's welfare. One of the factors that have been a classic problem so far is the limited capital accent for MSME parties. Capital constraints are the cause of the difficulty of micro-enterprises to increase productivity. Generally, the capital of MSME parties only depends on their own or family capital. The financing program for micro-enterprises is considered an effort by the Government in alleviating poverty. Conventional financing or micro-credit has been recognized worldwide as a natural effort to improve welfare. With access to capital, MSME parties can get out of the gate of difficulty to increase their production activities and income.³²

During the pandemic, there was a change in the consumption pattern of people's goods and services from offline to online. MSME actors must have difficulty in achieving the targets that must be achieved when the economy is disrupted. This change in pattern should be followed by MSMEs in order to survive and develop so that they are able to face new normal conditions. Digitization has become an important need, as evidenced by the Large-Scale Social Restriction Period (PSBB) which has increased the use of e-learning, e-commerce, digital literacy, delivery requests, and the need for medical/cleaning equipment. However, we cannot deny the existence of the problem of digitizing MSMEs. In some remote areas, limited internet access is still an obstacle. The understanding of MSME actors towards technology, limited online marketing, production processes and online market access are still

³¹ Radja Erland Hamzah and Citra Eka Putri, "Pemanfaatan Digital Marketing oleh Pelaku UMKM di Kuningan Barat, Jakarta Selatan," *Jurnal Pustaka Dianmas* 1, no. 1 (Juli 2021): 12-20.

³² Widya Gina and Jaenal Effendi, "Program Pembiayaan Lembaga Keuangan Mikro Syariah (LKMS) Dalam Peningkatan Kesejahteraan Pelaku Usaha Mikro (Studi Kasus BMT Baitul Karim Bekasi)," *Al-Muzara'ah* 3, no. 1 (2015): 33-43, <https://doi.org/10.29244/jam.3.1.34-43>.

considered not optimal enough. Furthermore, consumers still feel insecure in making transactions.³³

Since March 2020 the spread of Covid-19 has been very widespread and has had an impact on slowing economic growth, resulting in the fulfillment of contract achievements executed by the parties.³⁴ Indonesia has been in the Covid-19 Pandemic which has harmed various sectors, including MSMEs. Many risks are experienced ranging from declining income and layoffs to bankruptcy. To ensure the continuity of MSMEs, the Ministry of Cooperatives and Small and Medium Enterprises implement programs and measures to mitigate the impact of the corona outbreak on MSME parties. The Ministry has compiled 9 programs aimed at anticipating the impact of Covid-19 on MSMEs.³⁵ Nine programs to stimulate the purchasing power of MSME and cooperative products, shopping at neighboring stalls, restructuring programs and subsidies for micro-enterprise loan interest rates, credit restructuring specifically for cooperatives, and a masking program for all. Providing masks for culinary market traders so that they get customers.

Indonesia is in a very bad economic crisis when compared to previous years. Indonesia's economic growth in the first quarter of 2020 was 2.97%. Furthermore, the Indonesian economy began to fluctuate since the Covid-19 pandemic attacked Indonesia and the implementation of Large-Scale Social Restrictions in various regions in Indonesia. It can be seen from the report from Bank Indonesia (BI) that there was a contraction (decrease) in the pace of the Indonesian economy in the second quarter of 2020, which was minus 5.32%. The decline in the pace of the Indonesian economy was also caused by the weakening of the global economy.³⁶ The implementation of LSSR has had an impact on not opening tourist objects where MSMEs rely on income from visitors who buy their products, limited restaurant operating hours so that operational costs cannot be met. Based on BPS data,

³³ "Perjuangan Membangkitkan UMKM Lokal Dikala Pandemi," DRPM Umsida, accessed September 25, 2022, <https://digital.drpm.umsida.ac.id/perjuangan-membangkitkan-umkm-lokal-dikala-pandemi/>.

³⁴ Velliana Tanaya and Jessica Angeline Zai, "Penerapan Pembatasan Sosial Berskala Besar (PSBB) Akibat Pandemi Covid-19 Sebagai Force Majeure Dalam Kontrak," *Law Review* XXI, no. 1 (July 2021): 97-116, <https://ojs.uph.edu/index.php/LR/article/view/3805/pdf#>.

³⁵ *Ibid.*

³⁶ "Covid-19 Tekan Pertumbuhan Ekonomi Indonesia Triwulan II 2020," PelakuBisnis.com, accessed September 25, 2022, <https://pelakubisnis.com/2020/08/covid-19-tekan-pertumbuhan-ekonomi-indonesia-triwulan-ii-2020/>.

Yogyakarta Province occupies the second position, namely by 89.69% decreased income of business actors³⁷

Since the beginning of the pandemic, the Government has continued to work hard to think of how welfare can be realized well for society, including MSME parties. The Government assesses the economic impact and the decline in people's income in each region. MSME parties in the North Kalimantan area experienced a decline of up to 36% and their ability to survive until August-October 2020.³⁸ The Government provides support incentives for MSMEs through the National Economic Recovery program in 2020 and continued in 2021. The realization of this program to support MSMEs amounting to Rp. 112.84 trillion has been received by more than 30 million MSMEs in 2020. Meanwhile, for 2021, the Government has also budgeted this program to support MSMEs with funds of Rp. 121.90 trillion to maintain the momentum of economic recovery. The program to support MSMEs in 2020 has succeeded in providing support for the business world, especially for the informal sector and MSMEs to survive the impact of the pandemic. BPS data as of August 2020, there is the creation of new job opportunities with the addition of 0.76 million people who open businesses and an increase of 4.55 million informal workers.³⁹ A total of 64.13 million are MSEs who are in the informal sector so they need to be encouraged to transform into the formal sector. The Government through the Job Creation Law regulates the convenience, protection, and empowerment of MSMEs. The Government hopes that through the Job Creation Law, MSMEs can continue to develop and be competitive.

In a welfare state, solving social welfare problems, such as poverty, unemployment, inequality, and neglect is not done through short-term partial social projects. However, it is carried out in an integrated manner by social security programs, social services, social rehabilitation as well as various education, health, old-age, and unemployment benefits. With

³⁷ Lina Ayu Safitri and Chriswardana Bayu Dewa, "Analisa Kebijakan Pemberlakuan PPKM Pada Masa Pandemi Covid 19 Terhadap Industri Skala Kecil Dan Menengah Makanan Dan Minuman," *Jurnal Manajemen DayaSaing* 23, no. 2 (December 2021): 97-107, <https://doi.org/10.23917/dayasaing.v23i2.16180>.

³⁸ Danang Sugianto, "Prediksi Jokowi soal Provinsi Paling Parah Terimbas Corona, Ngeri," *DetikFinance.com*, March 25, 2020, <https://finance.detik.com/berita-ekonomi-bisnis/d-4952102/prediksi-jokowi-soal-provinsi-paling-parah-terimbas-corona-ngerii>.

³⁹ "Dukungan Pemerintah Bagi UMKM Agar Pulih di Masa Pandemi," Kementerian Koordinator Bidang Perekonomian Republik Indonesia, accessed June 21, 2022, <https://www.ekon.go.id/publikasi/detail/2939/dukungan-pemerintah-bagi-umkm-agar-pulih-di-masa-pandemi#:~:text=Pemerintah%20telah%20menyediakan%20insentif%20dukungan,juta%20UMKM%20pada%20tahun%202020,d>.

this solution system, the State is tasked with protecting the weak in society from capitalism. The concept of a welfare state is the idea that the state is responsible for its citizens, that is, by means of the welfare of its people through services, assistance, protection, and prevention of social problems.⁴⁰ The state is required to realize general welfare, and for that, we need legislation that is a way out of the impact of the Covid-19 pandemic.

There are more than 62.9 million business units in Indonesia are MSMEs, more than 60% of the Gross Domestic Product is the contribution of MSMEs, and more than 96% of the workforce is absorbed by MSMEs. In Indonesia's condition, which is being hit by the Covid-19 pandemic, MSMEs are still able to have the potential to dominate the domestic market. Especially the need for imports that cannot be met. MSMEs can be a strategic solution to accommodate import needs which are currently stuck. However, there are many obstacles to realizing this. For example, the import of raw materials is still open and there is also a decrease in the trade volume of MSMEs that export abroad. The large number of MSMEs will make them feel the impact of the pandemic and can hamper the growth of the national economy. For this reason, the Government has set several special policies for MSMEs to help them during this pandemic. MSMEs are handled directly by the Government through the Ministry of Cooperatives and MSMEs.⁴¹

Government policy is the main factor that will determine macroeconomic stability and a competitive market environment. The support of skilled human resources, access to technology, and technology support services will help to improve the MSME business world. Government policies in the financial sector can also determine industry finance. Some problems in MSMEs were solved by the Government by issuing various regulations that became the legal umbrella for carrying out activities so that can maintain the stability of sectors affected by Covid-19. Government policies are expected to minimize losses and other disturbances in the MSME sector which will also have an impact on Indonesia's economic conditions.

⁴⁰ V. Hadiyono, "Indonesia dalam Menjawab Konsep Negara Welfare State dan Tantangannya," *Jurnal Hukum Politik dan Kekuasaan* 1, no.1 (August 2020): 23-33, <https://doi.org/10.24167/jhpk.v1i1.2672>.

⁴¹ "Di Masa Pandemi, Bagaimana Peran Pemerintah Dalam Membina UMKM?," *Sobat Pajak*, accessed September 25, 2022, <https://www.sobatpajak.com/article/60d165a8cebfa843e22f1fc3/Di%20Masa%20Pandemi%2C%20Bagaimana%20Peran%20Pemerintah%20dalam%20Membina%20UMKM%3F>.

The Government continues to encourage MSME parties to be on board with digital platforms through a program called “Gerakan Nasional Bangga Buatan Indonesia” (Gernas BBI), where by the end of 2020 there have been 11.7 million MSMEs on board. It is hoped that by 2030, the number of MSMEs that go digital will reach 30 million. The Government encourages the expansion of access to financing for MSMEs through the Macroprudential Inclusive Financing Ratio. The goal is that the portion of MSME credit is increased by 20 percent in 2022 and gradually to 30 percent in 2024. The Government provides a people business credit interest subsidy of 3 percent until 30 June 2022 and increases the maximal credit by Rp. 373.17 trillion or an increase of 30 percent from 2021.⁴²

Specifically in the field of taxation, through PMK110/PMK.03/2020 concerning: “Amendments to PMK-86/PMK.03/2020 about Tax Incentives for Taxpayers Affected by the 2019 Corona Virus Disease Pandemic. The Covid-19 pandemic is PPh Article 21 borne by the Government (DTP): Employees with a Taxpayer Identification Number (TIN) and a fixed and regular gross income of not more than 200 million, Final Income Tax of MSMEs borne by the Government, Final Income Tax borne by the Government in certain labor-intensive sectors, Exemption of Income Tax article 22 Imports, Income Tax Installment Reduction article 25, Preliminary return of Value Added Tax (VAT) as a low-risk taxable enterprise for taxpayers who submits Tax Return in VAT Period over payment of restitution of a maximum of 5 billion rupiahs.⁴³

The Government offers financial assistance solutions to ease the burden on MSME actors, namely the Financial Services Authority Regulation (POJK) Number 11/POJK.03/2020 which regulates the provision of banking credit relief for MSME actors. The real role of the Government, namely collaboration, and synergy between the Government/agencies related to MSME actors, so that the economic condition of MSME actors can gradually recover from the impact of the Covid-19 pandemic, and in the end, there will be welfare for MSME parties.⁴⁴

⁴² Lit Septyaningsih and Icshan Emerald Alamsyah, “Anggaran PEN 2022 yang Diprioritaskan Bagi UMKM,” *Republika.co.id*, February 10, 2022, <https://www.republika.co.id/berita/r73llr349/anggaran-pen-2022-yang-diprioritaskan-bagi-umkm>.

⁴³ Kosasih, Kholida Atiyatul Maula and Masykur H Mansyur, “Sosialisasi Penanguhan Pajak dan Strategi Ketahanan UMKM di Masa Pandemi COVID-19,” *Community Empowerment* 6, no. 9 (2021): 1572-76, <https://doi.org/10.31603/ce.4950>.

⁴⁴ Badan Penelitian, Pengembangan, dan Inovasi Daerah Kabupaten Buleleng and Lembaga Penelitian dan Pengabdian Kepada Masyarakat Universitas Pendidikan Ganesha Singaraja, *Kajian Dampak Pandemi COVID-*

The existence of MSMEs has proven to have the ability to survive in difficult economic situations. During this period, MSMEs proved to be a safety valve for the national economy and were the largest group of economic actors in the Indonesian economy, as well as being a dynamic post-crisis economic growth. For this reason, more attention is needed from the Government to the MSME sector as the main driver of the nation's economy.⁴⁵

C. Conclusion

Some problems in MSMEs were solved by the Government by issuing various regulations that became the legal umbrella for carrying out activities so that can maintain the stability of sectors affected by Covid-19. Government policies are expected to minimize losses and other disturbances in the MSME sector which will also have an impact on Indonesia's economic conditions. The Government has compiled 9 programs to anticipate the impact of Covid-19 on MSMEs. The form of support provided starting from coaching, mentoring, and funding is an effort by the state to prosper the community, especially MSMEs. The Ministry of Cooperatives and MSMEs and the Ministry of Communications and Information Technology should conduct training and mentoring activities that support online-based marketing (digital marketing). These activities should be carried out in stages and continue to ensure that MSME parties can adapt to market developments. For MSME parties, they must carry out self-reconstruction by increasing the entrepreneurial spirit, increasing business adversity, conducting business legalization, and most importantly changing the way of thinking so that they are more ready to transform toward a digital marketing system.

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⁴⁵ Mohamad Nur Singgih, "Strategi Penguatan Usaha Mikro Kecil Menengah (UMKM) Sebagai Refleksi Pembelajaran Krisis Ekonomi Indonesia," *Jurnal Ekonomi Modernisasi* 3, no. 3 (2007): 218-27.

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