



## Development Strategy For Micro Small Business (Umk) During The Covid-19 Pandemic In Maluku Province

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### A B S T R A C T

*This research was conducted based on the reality of the research problem, where economic activity in SMEs is in a threatened position due to the COVID-19 pandemic. This study aims to analyze the internal and external sides of SMEs, measure financial stability and lending to banks, analyze whether credit provision has been efficient or not in improving banking performance for SMEs. In addition, strategic policy measures are taken through a roadmap for developing competitive and sustainable SMEs. The research method used is a survey method. The data obtained were processed based on the principles of descriptive statistics, namely the analysis of Non Performing Loans (NPL) to determine the ratio of NPL and the average NPL. The time period used for analysis needs is 2019 and 2020. The results of the SWOT analysis, Non Performing Loans (NPL), effectiveness and efficiency, indicate that banks have not been effective and not efficient in disbursing credit. This needs to be a concern for banks in disbursing credit to SMEs, by providing easy administrative requirements for SMEs proposing credit, so that SMEs can have business capital for the development of competitive and sustainable SMEs. On the other hand, the results of the NPL calculation are below 5%, this shows a healthy banking performance, meaning that there are no bad loans, as a result of relaxation and stimulus from the Government to SMEs when SMEs experience a chaotic situation due to the COVID-19 pandemic. Furthermore, a 5-year development plan was carried out, namely from 2020-2025, with the goal of strategic planning being competitive and sustainable SMEs based on e-commerce.*

**Keywords:** SWOT, NPL, Effective, Efficient.

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## INTRODUCTION

For more than twenty years, the role of Micro, Small and Medium Enterprises (UMK) in the Indonesian economy has continued to increase. Even in 1998 when there was an economic crisis, MSEs became the savior of the Indonesian economy. The dynamics of MSEs continue to move in line with economic growth, so as to increase the added value of the economy in terms of the creation of new business fields and employment. Currently, Indonesia has entered the era of the industrial revolution 4.0, and therefore speed and accuracy are needed by MSE actors. MSEs must be able to penetrate the e-commerce business, not in a conventional way.

Maluku Province UMK production in the fourth quarter of 2019 increased by 0.74%, compared to the previous period. (BRS, 2020). This shows that the contribution of MSEs to the economic growth of Maluku Province in driving the economy is quite significant. The Covid-19 pandemic has had a negative impact on all sectors of life, both from the social sector and the economic sector. Referring to the Regulation of the Minister of Health number 9/2020 concerning Guidelines for Large-Scale Social Restrictions (PSBB) causing economic activities, especially production, distribution and sales to experience disruptions which ultimately disrupt the performance of MSEs.

Based on statistical data from Maluku Province, economic growth in the first quarter of 2020 was 4.01%, with a growth contraction of 2.32%. Meanwhile, in the second quarter of 2020, economic growth decreased by 1.52%, with a contraction of 2.61%. (BPS, BRS, 2020). Observing the economic situation as mentioned above, it is necessary to get serious attention and be used as an evaluation material for the local government to design the right activities and strategies for the existence

of MSEs in Maluku province.

The Covid-19 pandemic situation provides both challenges and opportunities for the government to maintain the existence of MSEs. The hand is interpreted, there is a need for a short-term solution to help MSEs. Opportunities are interpreted as short-term solutions that need to be followed by long-term solutions, especially when associated with the industrial era 4.0 which requires digital technology to support economic activities. There are several short-term solutions to maintain the existence of MSEs. According to the Organization for Economic Cooperation and Development (OECD) and Financial Services Authority (OJK) Regulation Number 11/POJK.03/2020 concerning National Economic Stimulus as a Countercyclical Policy, solutions that need to be considered related to MSEs are: (1) strict health protocols, (2) postponement of debt or credit payments to maintain financial liquidity of MSEs, (3) financial assistance for MSEs, and (4) structural policies.

The challenges faced by MSEs during the Covid-19 pandemic since the enactment of the PSBB are; (1) difficulty in supplying raw materials; (2) Decreased cash flow as a result of declining people's purchasing power resulting in decreased income; (3) fall in demand. Observing this condition, during the implementation of the PSBB, MSEs used Facebook and WhatsApp to market their wares. Business digitization is of course not easy, it requires infrastructure readiness, human resources and product innovation so that the quality and quantity of goods are maintained. The government continues to strive to assist MSEs with various regulations to make it easier for MSEs to survive for the sustainability of their business. One of the programs in the banking sector is the relaxation program or credit restructuring for MSEs affected by the COVID-19 pandemic that meets the provisions. MSEs must have resilience and agility in dealing

with economic changes so that they are able to adapt to enter the new normal era.

### METHODOLOGY

This research begins by examining and analyzing the role of MSEs during the COVID-19 pandemic through regulations relating to health protocols, financial system stability to encourage economic growth, credit stimulus to maintain MSEs' performance during the COVID-19 pandemic, and encourage MSEs. to develop business through e-commerce

The research method used is a survey method, namely to obtain factual facts and information based on research problems, using descriptive analysis through a quantitative approach, with inferential descriptive analysis methods. The data obtained is processed based on descriptive statistical principles, namely the analysis of Non Performing Loans (NPL) to determine the ratio of NPLs and average NPLs using data from Bank Indonesia, while to measure the effectiveness and efficiency of lending using data from the Directorate General (DITJEND). Maluku Province State Treasury. The time period used for analysis needs is 2019 and 2020.

In addition, a strength, weakness, opportunity, and threat (SWOT) analysis model is used in order to be able to identify internal factors (weaknesses or weaknesses) and MSE external factors that are strengths and sources of opportunities. Besides that, it can also formulate alternative MSE strategies both from the internal and external sides. The following will present the analysis model as follows:

$$\text{Effectiveness} = \frac{\text{Realization of Credit Distribution}}{\text{Credit target}} \times 100\%$$

$$\text{Efficiency} = \frac{\text{Realization of Credit Distribution}}{\text{Credit Repayment Realization}} \times 100$$

$$\text{Average NPL} = \frac{\text{Total Credit Quality (NPL)}}{12 \text{ months}}$$

$$\text{NPL Ratio} = \frac{\text{Total Credit Quality (NPL)}}{\text{Credit Face Value}} \times 100\%$$

Based on the analysis carried out, a roadmap for the development of MSEs during the Covid-19 Pandemic was made to become a reference for the implementation of strategies and policies by local governments.

### RESULTS AND DISCUSSION

**PROFILE** Micro and Small Enterprises (UMK) in Indonesia consists of three major clusters, namely the producer, trading and service clusters. Producer clusters generally produce a variety of food and beverages, including various clothing, printing and other creative industries. Trading businesses include street vendors, culinary businesses, fashion shops, basic food businesses, etc. Meanwhile, service businesses include online transportation businesses, travel agents, beauty salons and clinics and other service businesses. In Maluku Province, the number of MSEs reached 147,000 businesses or 99.15% of the total businesses in Maluku and spread across all non-agricultural categories. Its existence is able to absorb more than 0.35 million workers or about 87.75 of the total non-agricultural workforce (SE BPS, 2016).

**Table 1.**  
**Percentage of UMK by category in Maluku province 2017**

TYPE OF BUSINESS	CATEGORY	%
Wholesale and Retail Trade, Repair and maintenance of cars and motorcycles	G	41.63
Mining and Processing Industry	B, C	26.18
Food, Drink and Real Estate Provider	I, L	12.05
Transportation and Information	H, J	11.89
Education	P	2.91
Human Health Activities and Other Services	Q, R, S	2.59
Construction	F	1.18
Company Services	M N	1.04
Financial and Insurance Activities	K	0.27
Energy and waste water management	D, E	0.27

Source: Economic Survey, BPS, Maluku Province, 2016

The data above shows that small, micro and medium enterprises are still the main drivers of the economy in Maluku. MSEs play an important role in driving the wheels of the economy. However, the Covid 19 Pandemic that hit Indonesia in early 2020 was a heavy blow to the national economy, especially for MSEs who really felt the impact of various policies implemented by the government. The results of the Covid 19 Impact survey on business actors released by BPS on September 15, 2020, with 34,559 business respondents spread

throughout Indonesia and 875 of them located in Maluku and Papua indicate a shift in business behavior for MSEs to maintain their business.

#### 4.1. SWOT analysis

Internal factor analysis was carried out to identify factors in the form of strengths and weaknesses, while external factor analysis was carried out by processing external factors in the form of opportunities and threats to MSEs during the pandemic-19. Below you can see the SWOT analysis table as follows:

**Table 2**  
**SWOT analysis**

	FACTOR
<b>Strength</b>	Business Diversity
	Product Variations
	Government Support
	Local and National Market Segment
<b>Weakness</b>	Businesses that are not legal entities
	Limited working capital
	Lack of knowledge and skills in using IT
	Recording of financial statements is not done properly
	Low Employee Motivation
	Business Management is still simple
	Conventional marketing

<b>Opportunity</b>	Technology advances
	Increasing number of internet users every year
	The high duration of use and utilization of the Internet in Indonesia
	Business Digitization
	Credit Restructuring
	Subsidy Policy and KUR
	Tendency to use social media for business
<b>Threat</b>	National Economic Stability
	Uncertainty about the time of the Covid-19 Pandemic
	Limited Transportation Access
	Disruption of the supply chain of raw material supply
	Inflation

<b>SW</b>  <b>OT</b>	<p style="text-align: center;"><b>Strengths</b> Internal strength factor</p> <ul style="list-style-type: none"> <li>• Have a media account (facebook and instagram)</li> <li>• Competitive products</li> <li>• Product Variation</li> <li>• Government Support</li> <li>• Local and national market segments</li> </ul>	<p style="text-align: center;"><b>Weakness</b> Internal weakness</p> <ul style="list-style-type: none"> <li>• Limited Business Capital</li> <li>• Lack of promotion.</li> <li>• Limited access to market information</li> <li>• Marketing is still conventional</li> <li>• Do not have bodily status 9okum.</li> <li>• Does not have financial statements based on Financial Accounting Standards (SAK)</li> <li>• Lack of knowledge and skills in using IT</li> <li>• High operating costs</li> <li>• Sales and revenue decreased</li> <li>• Credit jam</li> </ul>
<b>Opportunity</b>	<p style="text-align: center;"><b>SO Strategy</b></p> <p>The power to take advantage of opportunities</p> <ul style="list-style-type: none"> <li>• Marketing of goods online</li> <li>• Business Digitization</li> <li>• Develop marketing network locally, nationally and internationally.</li> <li>• Product Innovation</li> <li>• Optimizing working capital for potential business development</li> </ul>	<p style="text-align: center;"><b>WO Strategy</b></p> <p>Strategies that minimize weaknesses to take advantage of opportunities</p> <ul style="list-style-type: none"> <li>▪ IT usage and utilization training</li> <li>▪ Increased Promotion online</li> <li>▪ Recording financial statements properly and sustainably in accordance with SAK</li> <li>▪ Business Legality</li> <li>▪ Credit Restructuring</li> <li>▪ Utilization of KUR to maintain and develop the business</li> </ul>
<b>Treat</b> External Threat	<p style="text-align: center;"><b>ST strategy</b></p> <p>Strategies that use strength to overcome threats</p> <ul style="list-style-type: none"> <li>• Online Promotion</li> <li>• Develop cooperation with similar MSEs to supply raw materials</li> <li>• Utilization of potential workforce for business development (IT sector)</li> </ul>	<p style="text-align: center;"><b>WT Strategy</b></p> <p>Strategies that minimize weaknesses and avoid threats</p> <ul style="list-style-type: none"> <li>• Reduce Production Quantity / adjust to the number of requests</li> <li>• Focus on Featured Products</li> <li>• Utilization of operating profits to maintain business, fulfill short-term obligations, and reserve funds</li> <li>• Cooperation with the government or universities in developing employee knowledge and work skills</li> </ul>

**Table 3**  
**Urgency of Handling**

No	FACTOR	URGENT HANDLING		
		Short-term	Medium-term	Long-term
1.	Marketing of goods online	<b>X</b>		
2.	Business Digitization	<b>X</b>		
3.	Develop marketing network locally, nationally and internationally		<b>X</b>	
4.	Product Innovation	<b>X</b>		
5.	Optimizing working capital for potential business development	<b>X</b>		
6.	IT Use and Utilization Training	<b>X</b>		
7.	Increased Promotion online	<b>X</b>		
8.	Recording financial statements properly and sustainably in accordance with SAK	<b>X</b>		
9.	Business Legality	<b>X</b>		
10.	Credit Restructuring		<b>X</b>	
11.	Utilization of KUR to maintain and develop the business		<b>X</b>	
12.	Online promotion based on e-commerce	<b>X</b>		<b>X</b>
13.	Develop cooperation with similar MSEs to supply raw materials		<b>X</b>	
14.	Utilization of potential workforce for business development (IT sector)	<b>X</b>		<b>X</b>
15.	Reduce Production Quantity / adjust to the number of requests	<b>X</b>		
16.	Focus on Featured Products	<b>X</b>		
17.	Utilization of operating profits to maintain business, fulfill short-term obligations, and reserve funds			<b>X</b>
18.	Sustainable MSE development			<b>X</b>
19.	Collaborating with the government and universities in developing employee knowledge and skills	<b>X</b>		

#### 4.2. Description of SWOT Analysis

##### A. Changes in Marketing Aspect

The pattern of marketing goods and services, MSEs have their own characteristics in running their business. The characteristics of MSEs are factual

characteristics or conditions attached to business activities and the behavior of the entrepreneur concerned in running his business (LPPI, 2015). These characteristics are the distinguishing characteristics between business actors

according to the scale of their business. Product marketing in normal situations tends to lead to conventional marketing patterns. Conventional marketing of goods and services then becomes the main choice because business actors have limited knowledge about the use of technology in marketing goods and services. Conventional marketing patterns become less effective in certain situations. For example in the current pandemic conditions.

The MSE business sector that was most affected and experienced a decline in demand was the accommodation and food and drink, transportation and trade sectors, as well as other services. Government regulations that impose restrictions on community activities (PKM) and large-scale social restrictions (PSBB) are the main factors for the decline in demand. There was a spike in inflation in the city of Ambon until June 2020 which was recorded at 0.43. Meanwhile, the level of household consumption expenditure in the first quarter of 2020 was -5.53 and the second quarter of 2020 was -1.14. This situation is exacerbated by restrictions on land, sea and air transportation. This has hampered the pace of economic growth, especially the operational activities of MSEs. In addition, the simple management of MSEs also has an impact on the weak marketing aspects of the business itself. It is known that the management of MSEs in Maluku has informal characteristics which are characterized by not having legal entity status, not keeping financial records properly, running with limited capital and expertise, and using very simple technology. The number of MSEs that are not legal entities still dominates, reaching almost 86%. Similarly, the use of information technology, such as the use of computers and the internet, is still not optimal. In relation to access to marketing, knowledge of business actors in managing their business operations as well as skills

in utilizing technology are important things that need to be considered in developing the MSE business.

According to research on the social media management platform Hootsuite and the We Are Social Marketing Agency entitled "Global Digital Report 2020" which was released at the end of January 2020, it was stated that the number of internet users in Indonesia in 2020 had reached 175.4 million people. Compared to 2019, this figure has increased by 17% or by 25 million users (Techno and Science, February 21, 2020). Furthermore, it was explained that during 2019, internet users in Indonesia, aged 15 to 64 years, had an average of 7 hours 59 minutes per day to surf the virtual world. This figure exceeds the global average of only spending 6 hours 43 minutes per day using the internet. Indonesia also has 160 million social media users with an average usage per day reaching 3 hours 26 minutes, which exceeds the global average of 2 hours 24 minutes per day and is below the Philippines with a total time of 3 hours 53 minutes per day. The number of internet and social media users will continue to grow considering the very large population of Indonesia. Taking into account the data above, online marketing options have great potential to develop MSEs.

Online marketing or Digital Marketing is very useful in marketing MSE products today. This method allows MSEs to always be connected with consumers indefinitely. Business actors can also respond to consumer requests quickly and can serve various complaints submitted online. In this way, the various costs incurred as a result of conventional marketing policies can be minimized. Furthermore, the online marketing policy by MSEs needs to be supported by the provision of service facilities and internet network access that is well connected in areas that are MSE business centers. This is very important to expand the

marketing network, increase sales volume and disseminate access to information for consumers and fellow business actors. In addition, business actors also need to cooperate with providers of transportation and delivery services to facilitate the process of delivering goods to consumers as well as opportunities for implementing on-site payment models. This payment model can also provide alternatives and various payment methods and increase consumer confidence in products and business existence.

### **B. Quality of Human Resources and Business Operations**

The sluggish national economy has caused a decrease in the level of work motivation and productivity of business management. The Work From Home (WFH) policy creates new problems for MSE business players. Significant changes are certainly felt by workers and business actors. Not all work can be done from home. For MSEs that carry out the process of producing goods, work from home cannot be carried out. This can also happen to MSEs engaged in services. This is due to inadequate facilities when working from home. Communication and coordination are very limited, plus internet access is not evenly distributed throughout Maluku. In addition, the supply of production raw materials that come from outside the region, makes production activities not run well. Some businesses are forced to terminate employment with their workers to reduce operational costs. Meanwhile, workers who are still active in MSE operations must comply with various health andemics while working. This often causes discomfort at work for workers and business actors. Work motivation decreases, as does business productivity. Even though it is known that MSEs are the largest absorbers of labor. Labor absorption by business status in Maluku province was recorded at 87.75% for micro and small

enterprises and 12.5% for medium and large enterprises. In addition, when viewed from the prospect of MSEs in the future, the government has targeted an increase in businesses that have the potential to grow and be innovative. The implementation of physical distancing and PSBB in several areas, both in Maluku and other regions in Indonesia, also has an impact on the disruption of MSEs' operational activities. The distribution of raw materials that are not cool and the increase in raw material prices is more common in the food and beverage sector. For example, the raw material for soybeans. There was an increase as well as supply constraints from distributors outside the region. Barriers to the supply of raw materials and price spikes are one of the factors driving businesses to take other policies to save their businesses. The attitudes and policies adopted by the company in relation to these conditions are as follows:

- a. Some business actors have decided to temporarily stop operating. This is caused by the inability to finance the company's operations.
- b. Some business actors have decided to continue operating their businesses by implementing WFH for some of their employees and also implementing physical distancing for workers who are still working in their original place.
- c. Several business actors implement WFH for all their workers while closely monitoring their operational activities.
- d. Some business actors even run their business beyond their normal capacity. This tends to happen to businesses that switch from their original fields. For example, garment company that originally produced ready-made clothes, then switched to the production of personal protective equipment



- for health.
- e. Most of the business actors are still running their business normally or as usual. This policy was carried out with various considerations, including the business cannot be carried out with WFH, the supply of raw materials is running normally, the business is an important sector, protecting workers from the risk of layoffs, as well as maintaining business continuity.

This situation requires MSE business actors to make new plans or strategies to maintain and develop their businesses. Because UMK is still a pillar of the national economy. The government also provides full support to maintain MSE business continuity and develop MSE business in the future.

In this regard, the workforce needs to be trained to improve knowledge and skills in accordance with the MSE business field. This training can be carried out according to the level of interest and the company's ability to carry it out. In the current situation, job training can be directed at the employee's ability to produce better quality products. This training tends to increase soft skills and hard skills in areas related to MSE business. Such as product processing training, online media use training, and financial report preparation training. This training activity can be carried out in collaboration with UMK and government-owned job training centers or in collaboration with universities in community service programs.

### **C. Finance and Digitalization of MSEs**

Other problems faced by MSEs are financial problems and the digitization of MSEs. Financial problems are the most faced by MSEs. The sudden decline in transactions began to be felt since early February 2020. Sales and revenues decreased during the pandemic, while operating costs and other fixed costs that

had to be incurred remained unchanged. Even the costs that must be incurred to maintain business continuity are far greater than the current income. In addition, the ability to pay short-term and long-term obligations is also experiencing problems. The Bank Indonesia Maluku Representative Office noted that as of July 2020 there were unpaid MSME loans or bad loans of Rp 4,026,719,777,265 or 3.95% of the total loans disbursed.

During this pandemic, the government plans several programs to strengthen MSEs that have the potential to revive the country's economy. Among these programs are the cash assistance stimulus and also the People's Business Credit (KUR) to strengthen business capital. This assistance to MSEs is planned to last until 2021. Several MSEs in Maluku under the guidance of Bank Indonesia have also received attention in improving their business conditions. The assistance provided to the assisted MSMEs was not in the form of fresh money, but Bank Indonesia provided assistance in the form of Capacity Building to MSMEs in the context of the Covid-19 pandemic. In general, the Capacity Building carried out is related to digital payment systems, e-commerce, packaging, and digital promotions. This training and assistance helps business actors to develop their business, especially in terms of digitizing the MSE business. All of that is also a very useful thing in the business world today and in the future.

Digitalization of MSEs business will transform business processes from conventional concepts to become virtual ones. This transformation is carried out on business processes, functions and business models and is applied to digital technology. In general, this virtual concept includes transaction processing and application of enterprise systems. Business digitization can accelerate work efficiency, reduce the use of human labor, increase profits and expand market

share globally. It is known that technology is starting to become the controller in the business world. Various companies and MSEs in the world have turned to technology functions to facilitate business with greater income. Thus, digitizing the MSE business can encourage business development, especially in uncertain conditions such as during this pandemic. Through the use of technology, MSEs can cut production costs and promotion costs. Product marketing becomes easier, more effective and efficient, and is targeted at the right target. In addition, the reach of digital technology is not limited to cross-country coverage. For this reason, MSE business development can be carried out in stages by getting assistance or through collaboration with related institutions and communities. Under current conditions, MSEs can join a sales platform or market place that provides marketing facilities, promotions and online payment models. Of course, this kind of business digitization model will reduce and minimize business operational costs.

#### 4.3 Analysis of Non-Performing Loans (NPL)

The current Covid-19 pandemic has caused a decline in economic activity, inflation and changes in interest rates, making banks selective to anticipate a surge in non-performing loans or bad loans. To encourage the optimization of the banking intermediation function, maintain financial system stability, and support economic growth, a stimulus policy is needed as a countercyclical to the impact of the spread of COVID-19, which is regulated in Financial Services Authority Regulation (POJK) No.11/POJK.03/2020. In addition to stimulus policies, but also credit relaxation or relaxation to debtors and MSEs, this is to encourage MSEs' performance to survive during the Covid-19 period.

Non-Performing Loan (NPL) analysis is one of the analyzes to assess the performance of banking functions, on debtors (MSEs) related to liquidity (inability to pay), profitability (uncollectible debts, and solvency (reduced capital). BI Regulation No. 6 /10/PBI/2004 dated April 12, 2004 concerning the Rating System for Commercial Bank Soundness stipulates that the ratio of non-performing loans (NPL) is 5%.

**Table 4**  
**Calculation of NPL UMK in 2019**

COMMERCIAL BANK MSME CREDIT – PROJECT LOCATION	COMMERCIAL BANK MSME CREDIT – PROJECT LOCATION	COMMERCIAL BANK MSME CREDIT – PROJECT LOCATION	COMMERCIAL BANK MSME CREDIT – PROJECT LOCATION	COMMERCIAL BANK MSME CREDIT – PROJECT LOCATION	COMMERCIAL BANK MSME CREDIT – PROJECT LOCATION
Month	Credit Face Value	Growth YoY	Month	Credit Quality (NPL)	NPL (%)
January	3,468,550,471,888	13.05%	January	110,884,029,176	3.20
February	3,650,199,435,441	16.68%	February	113,447,721,182	3.11
March	4,011,413,953,163	23.74%	March	112,326,859,895	2.80
April	3,857,927,246,594	16.08%	April	118,284,377,870	3.07
May	3,963,892,043,278	13.71%	May	124,701,163,555	3.15
June	3,830,338,099,363	9.10%	June	128,330,296,250	3.35
July	3,873,843,660,637	14.17%	July	122,473,918,478	3.16
August	4,030,163,819,008	20.28%	August	189,101,811,658	4.69
September	4,011,621,270,360	17.02%	September	117,480,915,505	2.93
October	4,046,077,562,172	16.18%	October	117,480,915,505	2.83
November	4,061,168,514,135	17.07%	November	117,155,038,819	2.88

December	3,990,372,956,900	13.00%	December	99,713,597,815	2.50
<b>Amount</b>	<b>46,795,569,032,939</b>		<b>Amount</b>	<b>1,468,243,602,886</b>	<b>3.14</b>

Source : Bank Indonesia, Maluku Representative, 2020

Based on the results of the NPL calculation in table 4 above, from January-December 2019 it was in the range of 2-3%, with an average NPL of 3.14%. In accordance with the NPL criteria below 5%. This shows that in 2019 the level of non-performing loans at Bank Indonesia

Ambon Branch is getting lower, which means the better the performance of banks towards MSEs. There is serious attention from Bank Indonesia to MSEs in Maluku Province for the development and sustainability of MSEs.

**Table 5**  
**Calculation of NPL UMK in 2020**

COMMERCIAL BANK MSME CREDIT – PROJECT LOCATION			COMMERCIAL BANK MSME CREDIT – PROJECT LOCATION		
Month	Credit Face Value	Growth YoY	Month	Credit Quality (NPL)	NPL
January	3,956,822,501,291	14.08%	January	96,508,381,519	2.44
February	4,012,000,211,712	9.91%	February	100,857,850,844	2.51
March	4,127,703,366,539	2.90%	March	93,642,370,961	2.27
April	4,061,760,426,512	5.28%	April	98,533,822,769	2.43
May	4,034,474,022,906	1.78%	May	92,426,475,420	2.29
June	4,060,642,145,102	6.01%	June	105,100,510,897	2.59
July	4,026,719,777,265	3.95%	July	111,235,853,386	2.76
<b>Amount</b>	<b>28,280,122,451,327</b>		<b>Amount</b>	<b>698,305,265,796</b>	<b>2.47</b>

Source : Bank Indonesia, Maluku Representative, 2020

The results of the NPL calculation in 2020 in table 5 above, the lowest is 2.27% and the highest is 2.76%, while the average since January-July 2020 is 2.47%. When compared to 2019, the NPL in 2020 is smaller. This indicates that the banking performance is healthy, meaning that there are no non-performing or bad loans. The stimulus and relaxation policy for people's business credit (KUR) from the Government is very helpful in reducing MSEs while maintaining their performance, so that the ability to pay or repay loans from MSEs can run according to the rules agreed between MSEs and banks.

#### 4.4. Credit Effectiveness and Efficiency Analysis

##### A. Effectiveness Analysis

Giving credit that does not pay attention to existing policies and procedures will invite irregularities. One of andem that is important in providing credit by conducting early detection of credit to be disbursed, thus avoiding congestion. On this basis, during the Covid-19 pandemic, restructuring and relaxation policies became important to save MSEs from credit congestion. The effectiveness of lending is the achievement of the realization of lending based on what targets have been set by the bank. The greater the realization

of lending, the greater the effectiveness of lending in order to optimize the allocation of funds. Measurement of financial effectiveness is based on the relationship between income and outcome. This aims to analyze how effective the financial value of MSEs is that can be used as a reference. The greater the realization contribution, the more effective the MSEs are in carrying out their activities. That is, the provision of

credit is said to be effective if the amount of output andem is greater than or equal to the target output.

The standard of effectiveness according to the Decree of the Minister of Home Affairs No. 690.900-327 of 1996 concerning the criteria for assessment and financial performance can be known to be effective or not by meeting the following criteria:

**Criteria for effectiveness level**

Effectiveness	Criteria
>100%	Very effective
90 – 100%	Effective
80 – 90%	Effective enough
60 – 80 %	Less effective
60%	Ineffective

**Table 6**  
**Maluku KUR distribution as of 31 December 2019**

NO	SCHEME	DEBTOR	DISTRIBUTION	OUTSTANDING
1	SMALL	385,409	56,845,748,409,089	41,284,638,532,486
2	MICRO	4,264,922	80,093,853,894,856	29,397,850,512,778
3	TKI	53,882	809,431,520,840	233,035,991,375
4	UMI	821,311	2,728,545,160,692	2,810,212,500

Source: Directorate General of Treasury of Maluku Province, 2020

**Table 7**  
**Maluku KUR distribution as of 31 August 2020**

NO	SCHEME	DEBTOR	DISTRIBUTION	OUTSTANDING
1	SMALL	155,002	29,763,346,272,125	26,361,348,712,769
2	MICRO	2,913,441	73,393,524,224,831	61,782,519,428,068
3	TKI	15,643	243.707.779.285	109,925,175,001
4	UMI	1,255,843	4,061,664,123,095	463,000,000

Source: Directorate General of Treasury of Maluku Province, 2020

$$\text{Year 2019} = \frac{140,477,578,985,477}{799,220,000,000,000} \times 100 \% = 1\%$$

Recommendation = Ineffective

Recommendation = Ineffective

Based on the results of the 2019

$$\text{Year 2020} = \frac{107,562,242,399,336}{10,590,000,000,000,000} \times 100 \% = 1\%$$

KUR calculation, it is 18%, and in 2020

it is 1%. Referring to the effectiveness criteria as in the table above, neither 2019 nor 2020 KUR distribution was effective. For 2019 there were 82% of Kurs that were not channeled, and in 2020 it was 99%. This shows that banks must provide convenience or space in terms of administrative procedures for lending to MSEs, so that MSEs can develop, given the fact that most MSEs have limited working capital. The distribution of credit needed by MSEs in Maluku Province is mostly intended to increase business capital to increase production. In Century During this covid-19 pandemic, Bank Indonesia continues to encourage SMEs to carry out marketing activities through digitalization that leads to e-commerce.

On the other hand, entrepreneurs do not yet have sufficient knowledge to sell goods through e-commerce, therefore education is needed through training, but also MSEs must have digitalization infrastructure facilities, so it is very necessary to facilitate MSEs through KUR in Maluku Province. It can be said that the inefficiency of the KUR in 2020, which is only 1%, is also influenced by the Covid-19 condition, where most of the State budget is

allocated for the health sector, and subsidy policies intended for people affected by COVID-19, or also delaying the distribution of KUR until normal conditions.

### B. Efficiency Analysis

Banking competitiveness is reflected in the bank's ability to deal with any disturbances that arise, both internally and externally. Internally such as high interest rates and externally such as the Covid-19 condition that is currently engulfing the world. Facing the current economic conditions and pandemic, the good performance of a bank can be seen from the level of efficiency achieved by the bank. One of the performance measures expected is the ability to produce maximum output with the use of certain inputs. The policy on credit restructuring and relaxation is the government's effort to improve banking performance by improving the quality of services to debtors (UMK) to maximize output and minimize input. This is done in order to maintain stability and financial security but also improve the performance of MSEs to stay afloat when andemic covid-19.

Based on table 6 and table 7 above, the results of the calculation of credit efficiency can be seen as follows:

$$\begin{aligned} \text{Year 2019} &= \frac{140,477,578,985,477}{69,559,243,736,338} \times 100 \% \\ &= 2.02\% \end{aligned}$$

$$\begin{aligned} \text{Year 2020} &= \frac{107,462,242,399,336}{19,207,986,083,498} \times 100\% \\ &= 5.59\% \end{aligned}$$

From the results of the calculation of the bank's efficiency level in 2019 and 2020, it can be illustrated that the level of optimizing credit output and input is not efficient because income is still smaller than the specified target. This is due to the precautionary principle applied by banks to lending (KUR) to MSEs, even though restructuring and relaxation policies have been carried out for MSEs, given the Covid-19 condition, many MSEs have experienced sluggish decline in production, high inflation rates, causing

unhealthy bank.

The banking sector still has not provided much space and opportunity to MSEs with various problems such as how to repay credit, how to manage credit that can benefit both parties, also the process of application and lending to MSEs is still minimal in terms of the requirements that must be met by MSEs. .

#### 4.5. Roadmap for MSE Development in Maluku Province



Referring to the POJK rules, it makes it easier for SMEs to survive in running their business during the covid-19 period. The results of the SWOT analysis show that SMEs are only able to survive, even though they are faced with limited supply of raw materials, inflation, and limited facilities and infrastructure as well as IT control to run e-commers-based businesses. The results of the NPL analysis show that the average credit return is below 5%, this indicates the healthy performance of banks and MSEs. The KUR relaxation policy and stimulus assistance for MSEs and communities affected by COVID-19 have stimulated MSEs to stay afloat in running their businesses, so as not to cause bad loans. Although it is undeniable that MSEs have to face such heavy economic shocks.

The analysis of the effectiveness level shows that the distribution of KUR has not been effective, this is because banks are very careful to disburse credit to MSEs, due to the Covid-19 condition, but also because the administrative requirements that MSEs must meet have not been implemented according to banking procedures. The efficiency level analysis shows that it is not yet efficient. This is due to the non-optimal output and input, that the income received is not in accordance with the expected target, both from the banking side and MSEs. The roadmap compiled based on the results of this research is short, medium and long term, with the aim that by 2025 MSEs will become a source of economic defense in Maluku Province, with superior and competitive product innovations based on e-commerce and sustainability.

Digitalization and E-commers are the driving factors for MSEs to do business. The need for ease of administration requirements for credit proposals for MSEs. The need for IT education for MSEs, and assistance with digitalization facilities.

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