

CHAPTER 1

INTRODUCTION

1.1 Background

COVID-19 has been a lethal virus since the pandemic outbreak, and it has now become a global tragedy. Following the 1918 Spanish flu (H1N1), 1957 Asian flu (H2N2), 1968 Hong Kong flu (H3N2), and 2009 Pandemic flu, the World Health Organization (WHO) finally determined on Wednesday, March 11th, 2020, that COVID-19 can be classified as a pandemic. Throughout the future, this virus may continue to circulate in the human population. To keep the virus from spreading, doctors recommend screening, quarantine, and social isolation because specialized antiviral therapies and vaccines are still being developed in this uncertain situation.

As a result of the announcement, COVID-19, the 5th documented pandemic has indeed been caused by a distinctive individual coronavirus condition. Fever, lethargy, dry cough, and dyspnea were the first symptoms noticed by the first patient that proved positive for coronavirus or COVID-19, which was classified as viral pneumonia. COVID-19 was initially discovered in Wuhan, China, in December 2019 and has since spread throughout China and the world. Based on the phylogenetic study, the COVID-19 was formally called severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) by the International Committee on Taxonomy of Viruses. SARS-CoV-2 is thought to have originated as a spillover from an animal coronavirus and then evolved into a human-to-human transmission virus. Because the virus is highly contagious, it spreads quickly and evolves over time in humans. (Liu et al., 2020).

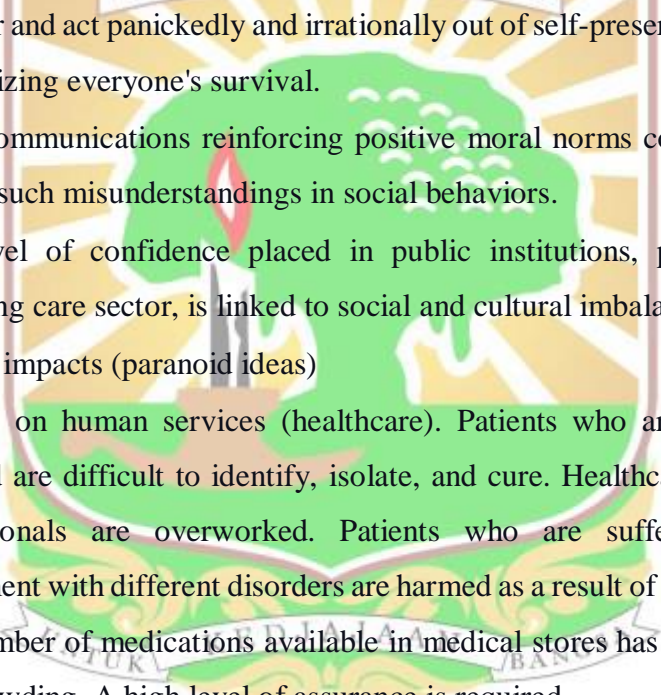
The first COVID-19 case confirmed in Indonesia on Monday, March 2th 2020, was immediately announced by the President of the Republic of Indonesia, Mr. Joko Widodo (Jokowi). He reported that two Indonesians were positive for COVID-19, namely a 31-year-old woman and a 64-year-old mother. The first case allegedly originated from a meeting of a 31-year-old woman with a Japanese citizen

who entered Indonesian territory. The meeting took place at a dance club in Jakarta on February 14, 2020.

The first case revealed by President Joko Widodo is reported it might not be the first case, according to detik.com news on April 26th, 2020. The Coronavirus has infiltrated Indonesia during the third week of January 2020, according to an expert team from the Faculty of Public Health at the University of Indonesia (FKM UI). The "ODP" report is deemed proof of local Corona transmission due to case reports of individuals under monitoring ("ODP") and patients under surveillance ("PDP") in one of the regions since the third week of January 2020. Under conditions of very significant change, it has now become a significant crisis that requires a response from the whole world. The government will ensure the availability of reliable information to aid the society in trying to defeat the pandemic by facilitating the healthcare and disease monitoring systems that are prioritized to lessen COVID-19's impact and the disease's worldwide disperse. Indeed, the informed steps cannot guarantee that we can avoid this condition, but this is the primary thing that we can do for the first response. Overall good personal hygiene; you're washing your face; you're not touching your eyes, nose, or mouth; you're securing physical space, and you're avoiding travel are all self-defense strategies. Several governments have implemented preventative measures, including social distance, medications, reforestation, and a global prohibition on animal commerce. As previously stated, one of the primary goals of the public health system is to prevent SARS-CoV-2 transmission by preventing big gatherings. COVID-19 is transmitted by direct person-to-person transmission. As a result, the major method of prevention is to limit large gatherings. (Mofijur et al., 2021).

From (Mishra et al., 2020) journal explains that, globally, COVID-19 impacts public health socially and causes uncertainty about future conditions, which has many implications on various sectors of life. Since these uncertain conditions mean that the outbreak of this pandemic will not diminish shortly, being taken as a precautionary measure is a prerequisite to preventing the spread of infection, saving people's lives, and saving economic prosperity. As mentioned before, many sectors

have been affected since the pandemic outbreak, so let's look at the impacts described by (Mishra et al., 2020). To avoid the distribution of this sickness, countless states have made various preventative measures such as locking facilities, institutions of higher learning, warehouses, and frequent markets, and so on. This illness has had a significant impact on a variety of trades and commercial sectors. Aside from that, there were a number of notable repercussions and concerns: COVID-19 is now a worldwide concern, instilling dread in society; intolerance and preference have resulted from a lack of knowledge of anxiety and threat, resulting in severe social problems.

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- Disaster and act panickedly and irrationally out of self-preservation, perhaps jeopardizing everyone's survival.
 - Open communications reinforcing positive moral norms could be used to correct such misunderstandings in social behaviors.
 - The level of confidence placed in public institutions, particularly the wellbeing care sector, is linked to social and cultural imbalances.
 - Culture impacts (paranoid ideas)
 - Impacts on human services (healthcare). Patients who are suspected or infected are difficult to identify, isolate, and cure. Healthcare and clinical professionals are overworked. Patients who are suffering from an assessment with different disorders are harmed as a result of their ignorance. The number of medications available in medical stores has dropped due to overcrowding. A high level of assurance is required.
 - Social ramifications In the international or national sports sectors, there are no solutions in service centers. for managing their appropriate withdrawal or deferral of support. The tourism industry has been seriously harmed. Prohibition on a number of special events. Unnecessary apprehensions among the general populace. They are putting distance between themselves and their family, friends, and relations. Cafeterias, restaurants, shops, recreation centers, gyms, and other establishments should be closed.

- Effects on the monetary (economic) system. Primary product accumulation has slowed and been reduced. Disturbance in the flexible variety of products. Trade losses on a national and global scale. In the global market, there is a lack of income. (Mishra et al., 2020).

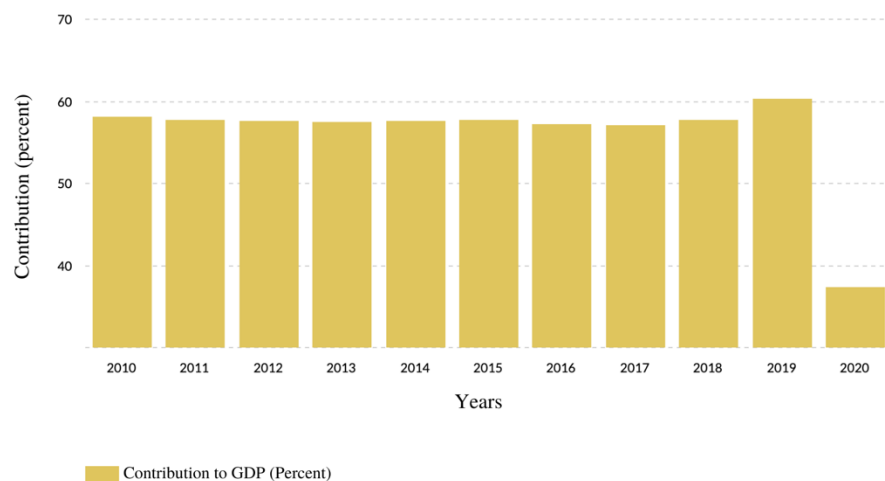
The virus outbreak has a significant impact on the global economy, social developments, business risks, etc. as previously described (Mishra et al., 2020). One that was significantly affected was the economic sector: (1) The slowing and diminishing accumulation of primary products; (2) Disruption of goods flexibility; (3) Losses in trade on a domestic and international level; (4) Poor financial situation in the worldwide industry. Of all the economic sectors described as affected, one of the most affected is micro, small & medium-sized enterprises (MSMEs) because MSMEs lack long-term planning, adequate human resources, and capital. The sufficient, compared to the SME or large enterprise sector, is used to and better equipped to deal with uncertain conditions. This impact affects all regions of Indonesia, including in West Sumatra. The spread of the COVID-19 outbreak in the West Sumatra region has continued to increase from the initial case discovery. In October 2020, positive cases of Covid-19 had reached more than 19,900 cases in West Sumatra; 8.339 cases came from Padang City. The increasing development of positive cases requires the government to establish large-scale social restriction policies. This policy reduces household income by directing people to work from home in order to reduce employee density, and it has driven economic growth to a sudden end, reducing demand and affecting supply chains around the world. More than half of MSMEs said they might go out of business in the next several months in the initial survey (Thaha, 2020). As a result, it affects all business sectors, particularly SMEs.

MSMEs were able to make a significant contribution to the Indonesian economy. Based on the data, in 2019, MSMEs will contribute to gross domestic product (GDP). MSMEs contribute 60% of GDP and donate 14% of total national exports (Susanti et al., n.d.). However, in 2020, the decline in GDP decreased by 23% to 37.3% from 60.3% (**Figure 1. 1**). The data shows that in the first quarter,

GDP decreased 2.41%, and in the second quarter, it decreased 4.19% (q-to-q). One of the factors that led to a decrease in the GDP was the decrease in income received by MSMEs during a Covid-19 pandemic. This condition is felt by MSMEs, especially in trade and repairs, transportation and warehousing, accommodation, and restaurants (Thaha, 2020). Therefore, governments take action to overcome the problem, such as creating a credit policy to help the sustainability of MSMEs because MSMEs are the most significant contribution to GDP. However, the problem will not be resolved if MSMEs rely on support from the government. MSMEs must carry out a sound accounting information system to resolve the issue (Pakpahan, 2020).



Contribution of MSMEs to GDP, 2010-2020



Source: Ministry of Cooperatives and Small and Medium Enterprises

Figure 1. 1 Contribution of SMEs to Indonesia's GDP, 2010-2020

The number of MSMEs in the city of Padang is increasing every year. Based on data obtained from the West Sumatra Cooperatives and MSMEs Office in 2019, the number of MSMEs in West Sumatra was 593,100, and the number of MSMEs in Padang City was 80,000 units. However, development is only seen in terms of numbers but is not followed by developments in the financial aspect. One of the

factors influencing this development is the lack of access to finance or capital. MSMEs' daily earnings (turnover) can only last 5-10% of normal conditions as a result of the Covid-19 pandemic. As a result, it's critical to pay attention and adjust to this once-in-a-lifetime occurrence. MSMEs can easily adapt to the technological requirements for conducting online sales and managing funds. (Lusimbo & Muturi, 2016; Pakpahan, 2020; Susanti et al., n.d.).

Moreover, if you do not have an emergency fund in financial management to sell products and maintain their products, it is effortless for the MSME to go bankrupt. The threat of a crisis that occurred during this pandemic has forced small to large MSMEs to find new and strategic ways to see all the current opportunities (Lusimbo & Muturi, 2016; Pakpahan, 2020; Susanti et al., n.d.). Hence, The majority of MSMEs seem to be out of market, others are barely surviving, and others will be out of stock shortly.

In the study case of (Shafi et al., 2020) , the COVID-19 outbreak also significantly impacts MSMEs operating in Pakistan. The continuing coronavirus outbreak has had an impact on 94.57 percent of understudies' businesses in some way. In contrast, 3.26 percent of businesses said they had no impact, while 2.17 percent said they were unclear. Financial issues (67.93 percent), supply chain interruption (47.83 percent), decline in demand (44.02 percent), and sales and profit reductions (38.04 percent and 41.85 percent, respectively) were the five largest challenges mentioned (**Figure 1. 2**). Many small businesses are also financially vulnerable, according to a subsequent Harvard Business School study. (Bartik et al., 2020).

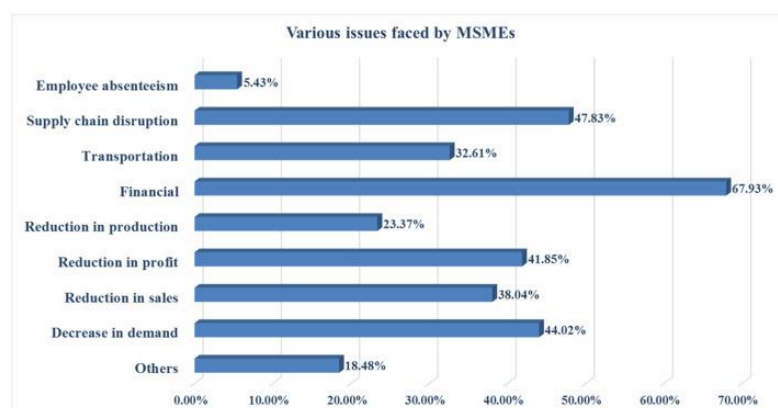


Figure 1. 2 Kinds of problems faced by MSMEs (case study in Pakistan)

Moreover, demand may be reduced as a result of a loss of client or buyer flow. These findings suggest that, among other things, most MSMEs are sensitive to financial, supply chain, and demand restrictions. Small businesses in other nations are encountering similar challenges. According to a survey conducted by the National Small Business Association, 49% of small firms are seeing decreased client demand, 33% are suffering supply chain interruptions, and 20% are experiencing employee absenteeism. (NSBA, 2020)

However, when the author conducted internships and community service activities at *Kelurahan Pasar Ambacang* in July 2020, it found that the MSMEs actors had not been able to face the uncertain conditions of the COVID-19 pandemic. Therefore, based on this background explanation, the author is interested in taking the title “Analysis the impact of the COVID 19 pandemic on the strategies implemented by MSMEs in *Kelurahan Pasar Ambacang*, Padang City”. This research is different from previous research because it examines the impact of COVID-19 on the growth of MSMEs, which was narrowed down specifically for the *Kelurahan Pasar Ambacang* area. The results of this study are expected to provide insight for the Pasar Ambacang Village officials to offer policy recommendations to assist MSMEs in reducing business losses and surviving through crises or pandemics from assessing the impact of COVID-19 on MSME growth.

1.2 Research Problem

The COVID-19 pandemic had a significant impact on numerous areas, including the economic sector, particularly the rise of MSMEs in Indonesia, as seen in the previous section. There are a slew of issues that could wreak havoc on MSMEs' performance in the wake of the covid-19 outbreak. For example, in a

business's income stream, the flow of consumer demand for products, the flow of raw material suppliers, and the flow of capital or corporate financing are all examples of flow. This is owing to the unpredictability of conditions caused by the COVID-19 pandemic, such as government rules that can change at any time, forcing people, as well as business actors, to quickly adjust to the situation. Business actors must be able to assess what actions may be taken as a strategy to survive; if they are unable to do so, they may suffer a downturn or possibly go bankrupt. We wish to examine what problem factors influence MSMEs' approach for surviving the COVID-19 pandemic in this study.

1.3 Research Question

The following are the study's research questions:

- How the impact of COVID-19 can affect the strategic implemented by MSMEs in *Kelurahan Pasar Ambacang, Padang City*?

1.4 Research Objective

This study's research goal is as follows:

- To examine and identify the impact of COVID 19 pandemic on the strategies implemented by MSMEs in *Kelurahan Pasar Ambacang, Padang City*.

1.5 Research Advantage

The following are the advantages of this study:

- The findings of this study can enable Kelurahan Pasar Ambacang officers assist in making policy recommendations to encourage MSMEs in reducing losses and surviving a pandemic by examining the impact of COVID 19 on MSMEs' growth.
- The findings of this study can help researchers better understand how the COVID 19 pandemic affects MSMEs' growth and how entrepreneurs can navigate through a crisis or pandemic to improve MSME performance.

- The results of this research can be used as a reference and a source of information for future researchers who plan to discuss the related study.

1.6 Writing Systematic

Systematics of writing is made to facilitate the preparation of this thesis, it is necessary to determine a good writing systematic. The writing systematics are as follows:

CHAPTER 1 – INTRODUCTION

The introductory chapter consists of six sub-chapters, namely: background, research problem, research objective, research advantages, research limitation, and writing systematic.

CHAPTER 2 – LITERATURE REVIEW

This chapter contains a literature review that supports and relates to the research topic, supplemented by previous research associated with the study's title and hypothesis.

CHAPTER 3 – RESEARCH METHODOLOGY

This chapter contains types and sources of data, the definition of variables, sampling techniques, and the research model.

CHAPTER 4 – EMPIRICAL RESULT AND ANALYSIS

This chapter outlines the results of the research found from descriptive statistical analysis.

CHAPTER 5 – CONCLUSSIONS AND RECOMMENDATIONS

This section is the final part of the research which contains the conclusion and recommendations needed.