

## ***THE EFFECT OF MSME FINANCIAL CONDITIONS DURING THE COVID-19 PANDEMIC ON MSME PERFORMANCE IN PALEMBANG***

**Alfredo Valentino Setiawan**  
[alfredoalentino77@gmail.com](mailto:alfredoalentino77@gmail.com)

**Delfi Panjaitan**  
[delfi@ukmc.ac.id](mailto:delfi@ukmc.ac.id)

### **ABSTRACTION**

*This study aims to determine the effect of the financial condition of MSMEs during the Covid-19 pandemic on MSME performance by focusing on MSMEs in Palembang for the research period in 2021. The data used are primary data. The population in this study is MSMEs engaged in culinary, fashion, basic necessities, and mobile phone accessories. The sampling technique used was purposive sampling and 100 SMEs were obtained after determining the number of samples using the Slovin method. Hypothesis testing is done by analyzing the coefficient of determination and T test. The results of this study indicate that the financial condition of MSMEs affects the performance of MSMEs.*

**Keywords:** Financial Condition, UMKM, Business Performance.

### **ABSTRAKSI**

Penelitian ini bertujuan untuk mengetahui pengaruh kondisi keuangan UMKM pada masa pandemi Covid-19 terhadap kinerja UMKM dengan fokus pada UMKM di Palembang periode penelitian tahun 2021. Data yang digunakan adalah data primer. Populasi dalam penelitian ini adalah UMKM yang bergerak di bidang kuliner, fashion, sembako, dan aksesoris handphone. Teknik pengambilan sampel yang digunakan adalah purposive sampling dan diperoleh 100 UKM setelah menentukan jumlah sampel dengan menggunakan metode Slovin. Pengujian hipotesis dilakukan dengan menganalisis koefisien determinasi dan uji T. Hasil penelitian ini menunjukkan bahwa kondisi keuangan UMKM berpengaruh terhadap kinerja UMKM.

**Kata Kunci:** Kondisi Keuangan, UMKM, Kinerja Usaha.

### **INTRODUCTION**

*MSME is one of three forms of business according to its size. MSMEs themselves because they are small and can even be on a home scale, everyone is able to create MSMEs. This is also one of the reasons why there are many MSMEs in a country. In Indonesia, businesses in the form of MSMEs are spread throughout the country. Of course, if one type*

*of MSME is disturbed by one of the negative phenomena, it is possible that other types of MSMEs will also be disturbed.*

*Currently, all activities of the country are disrupted due to the Covid-19 disease which has become a pandemic. The country of Indonesia is also not spared from the Covid-19 pandemic. The Covid-19 pandemic has had a negative effect on most people. Especially for MSMEs that experience a significant impact because community activities are disrupted, the amount of money that can be consumed by the community also decreases. Not even many MSMEs have gone out of business because they were unable to survive the Covid-19 pandemic.*

*However, there are still some MSMEs that can still survive during this Covid-19 pandemic. If we can find out how MSMEs can survive during the pandemic, then when the normal situation is MSMEs can develop by implementing strategies during the pandemic. Of course this is beneficial for prospective MSME owners who do not know how to deal with situations when their business finances are not good.*

*Researchers themselves during the Covid-19 pandemic often saw many MSMEs in Palembang that were not productive. This unproductiveness can be seen from the decrease in customers in several MSMEs. Some MSMEs can also be seen that their employees just sit like they have no activity. Of course, this can lead to a decrease in performance, which can eventually cause bad effects for the business itself if it is not detected by the owner himself.*

*MSMEs themselves have been proven to be able to survive various kinds of problems in the economic crisis in Indonesia. But with the Covid-19 virus, MSMEs in Indonesia are experiencing a recession due to the weakening economy. And also because of the PPKM, it is difficult for MSME owners to get customers .*

*Financial condition is the financial capability of the business that will be used to meet existing needs. If the business is able to meet all the needs that the business needs . Based on the finances that the business has without external assistance such as loans, the financial condition of the business is said to be good . The financial condition that is focused on in this research is the amount of cash available on hand . Cash on hand is cash available in the company for investment in assets used by the company's operations and also cash to be distributed to investors (Gill & Shah, 2012).*

*The rationale for the concept of business continuity according to Paton and Littleton (in Suwardjono, 2014) is based on considerations of practicality and ease of accounting implementation because the company's future operations cannot be predicted with certainty. If there are no signs, symptoms, or definite plans in the future that the business unit will be dissolved or liquidated, the accounting assumes that the business unit will continue indefinitely.*

*Putong (2010:32) "purchasing power is the ability of consumers to buy the amount of goods demanded in a certain market, at a certain level*

*of income and in a certain period". The purchasing power of a country depends on the level of its per capita income. The higher the level of per capita income of a country, the higher the level of prosperity and welfare of its people.*

*Business Criteria, According to Law No. 20 of 2008, the classification of MSME types based on the criteria is as follows, Micro Enterprises have a maximum net worth of Rp. 50,000,000 excluding land and buildings for business premises or having annual sales of a maximum of Rp. 300,000,000. Small Business has a net worth of more than Rp. 50,000,000 up to a maximum of Rp. 500,000,000 excluding land and buildings for business premises or having annual sales of more than Rp. 300,000,000 up to a maximum of Rp. 2,500,000,000. Medium-sized businesses have a net worth of more than Rp. 500,000,000 up to a maximum of Rp. 10,000,000,000 excluding land and buildings for business premises or having annual sales of more than Rp. 2,500,000,000 up to a maximum of Rp. 50,000,000,000.*

*Based on the business division carried out by the Department of Cooperatives and SMEs of South Sumatra Province, the types of MSME businesses are : culinary business, fashion business, education business, automotive business, agribusiness business, internet technology business, and electronics and gadget business. . Source: dikopukmsumsel, 2020*

*Aribawa (2016) states that the performance of MSMEs is the result of performance achieved by an individual and can be completed with the individual's tasks within the company and within a certain period. Therefore, researchers use performance measurement according to Purnomo & Lestari (2010) in looking at the performance of MSMEs quantitatively from an increase in terms of financial achievements , production (number of goods sold) , marketing (number of customers) , and number of workforce .*

*The researcher then again found MSMEs that did not have many customers and many employees who did not have activities during working hours not only around the researcher's residence. This then makes the researcher think that the owner has responded by making a change in strategy but is constrained by the limited costs that must be paid now. Researchers also think from three previous studies that have been done which say that financial conditions only have a simultaneous effect. And also researchers focus more on their research on the current financial conditions held by MSME owners. Therefore, the researchers then hypothesize:*

***H1: There is an influence on the financial condition of MSMEs during the Covid-19 pandemic on MSME performance in Palembang***

*A data can be said to be valid if the data has a calculated R value > the R table value of 0.195 . In this study, the researchers distributed questionnaires to 100 respondents, as follows,*

*All indicators of the research variables are said to be "valid" because they have a higher calculated R value than R table . So that all the*

questions in the questionnaire can answer the research that is being carried out.

A questionnaire can be said to be reliable if someone's answer to the question is consistent. This reliability test using Cronbach's Alpha technique is said to be acceptable if the reliability value is 0.6 or more (Ghozali, 2011).

The variables consisting of the financial condition and performance of MSMEs are said to be reliable because they provide a value of 0.759 and 0.804, which means that they have exceeded the requirements of Cronbach's Alpha  $> 0.6$

The measurement results for the financial condition variable show that the respondent's answer score is at a minimum value of 8 while the maximum is 24 with an average of 19.41 and a standard deviation of 3.095. This shows that the average respondent agrees with a statement regarding the financial condition of their msme business which has decreased during the covid-19 pandemic.

The measurement results for the msme performance variable show that the respondent's answer score is at a minimum value of 13 while the maximum is 34 with an average of 27.29 and a standard deviation of 4.288. This shows that the average respondent agrees with the statement regarding the declining performance of msmes during the covid-19 pandemic.

Normality test, In this study, because the results of the normality test first produced abnormal results, the researchers did trimming twice. The researcher conducted a second trimming experiment which resulted in Asymp.sig 0.093. So that the data of this study passed the normality test by eliminating 7 extreme data. The following is a table of normality testing and normality testing after the trimming process.

Heteroscedasticity Test, This test is used to test whether in a regression model there is an inequality of variance from the residuals from one observation to another. A good regression model is a regression model that does not occur heteroscedasticity (Ghozali, 2013:139). To detect the presence or absence of heteroscedasticity, it can be done by using the Gleyser test at a significance level of 5%.

Heteroscedasticity because the test results show a significance value of 0.288. While the terms of a variable said to be heteroscedasticity have a significance value of less than 0.05

The financial condition variable has a significance value that is smaller than 0.05, then the financial condition variable affects the dependent variable, namely the performance of MSMEs or is the same as the first hypothesis (H1) is accepted.

The overall regression analysis results show the adjusted R square value of 0.834, this value indicates that the correlation or relationship between MSME performance (dependent variable) and financial condition (independent variable) has a relationship. Then the adjusted R square value or the coefficient of determination is 0.834 (83.4%) this figure shows

that the performance of MSMEs is explained by financial conditions of 83.4% while the other 16.6% is explained by other variables not used in this study.

The results of hypothesis testing show that the financial condition of MSMEs has an influence on the performance of MSMEs in Palembang during the pandemic. Based on the results of the *t* test, the first hypothesis (H1) is accepted. Where indeed the financial condition owned by MSMEs now affects how MSMEs work. This can be seen by the increasing cost of merchandise inventory during the Covid-19 pandemic. MSME owners need to find ways to improve business performance in order to create profit even though the price of inventory items increases. But creating a new way of operating means creating a new strategy, which means that the new strategy costs money.

Based on the results of data collection from the questionnaire, most of the respondents answered that it was true that their financial condition was declining. This is also supported by a decrease in the amount of merchandise inventory for sale that SMEs can afford. As for the performance of MSMEs, most of the respondents also answered that it was true that their performance had declined. This decline in performance is also accompanied by a decline in their financial condition. Respondents have also made changes to their strategy but did not show a significant change.

## **CLOSING**

Conclusion, Based on the results of research on the influence of the financial condition of MSMEs during the Covid-19 pandemic on the performance of MSMEs in Palembang, it can be concluded that financial conditions affect the performance of MSMEs in Palembang. Where if MSMEs have high finances, MSMEs can improve their performance by improving the business strategy that is being used. Conversely, if the financial condition of the MSME itself is low, then the MSME does not have many choices of new business strategies to improve its business performance which can cause MSME performance to continue to decline and disrupt business continuity.

Limitations, Of course, this research is far from perfect, therefore, there are still limitations of the researcher as follows, Of the 8 types of MSMEs according to ( Diskopukmsumsel, 2020) researchers only examined MSMEs engaged in culinary and fashion. As well as adding 2 other types of MSMEs, namely MSMEs engaged in basic necessities and mobile phone accessories. This research has not arrived at providing an answer because it only provides information that can be used by any party. Researchers do not explain financial conditions to readers so that there is still ambiguity in financial conditions with capital. Respondents are reluctant to sign the questionnaire

Suggestion, Based on the conclusions and limitations, there are several suggestions from researchers for further research who also want

to examine SMEs as follows, Increase the number of samples to be tested or narrow the population of the study. This can be done by focusing more on the type of MSMEs being researched, Looking for other independent variables that can affect the performance of SMEs, both financial and non-financial performance. It is no longer limited to providing information but can also provide an answer to the readers. Become a reference for future studies that want to research SMEs but at different times.

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