A new decade for social changes
Reincarnation of MSMEs after the Government's Policy on Economic Recovery Due to the Covid-19 Pandemic in Indonesia

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Abstract. Micro, Small, and Medium Enterprises (MSMEs) are experiencing a slump due to the COVID-19 pandemic, and it is feared that it will be challenging to get back up. At this time, the Indonesian government has issued policies through several ministries, including the Ministry of Finance and the Ministry of Health, to stabilize the national economy. Micro, Small, and Medium Enterprises (MSMEs) are the pillars of the national economy, so that this sector needs attention during this pandemic to reincarnate in a better direction. This study aims to find a correlation between government policies and the revival/reincarnation of MSMEs. Data was collected through a questionnaire distributed through the MSME group on Facebook. To find the relationship between the two variables, the Spearman correlation test. The results found that the level of strength of the relationship or correlation was 0.619, indicating that there was a strong correlation between government policies on the Reincarnation of MSMEs and had a unidirectional relationship that showed a positive value so that the better the government's alignment with government policies will further improve the state of the Reincarnation of MSMEs towards positive growth.

Keywords. Government Policy, Reincarnation, Micro, Small and Medium Enterprises

Introduction

The Coronavirus pandemic has had a severe negative impact on socio-economic and political activities. (Chidume et al., 2021) The economic downturn due to COVID-19 has prompted the government to take quick and arresting steps to strengthen the health sector and overcome the impact of the economic recession by launching various policies. The target of the policy is aimed at MSMEs. On the other hand, government policies in handling the COVID-19 pandemic have created socio-economic complications that impact the balance of the political economy (Chidume et al., 2021).

The government's policy regarding the handling of the coronavirus pandemic in Indonesia is called PSBB. As in Government Regulation (PP) Number 21 of 2020 concerning Large-Scale Social Restrictions. In addition, the rules regarding PSBB are also regulated in Presidential Decree (Keppres) No. 11 of 2020 concerning the Determination of Public Health
Emergency. This policy experienced logistical problems, reduced production and consumption activities, increased unemployment, and corrected economic growth (Suksmonohadi & Indira, 2020).

One of the economic sectors affected is the real sector, such as MSMEs. Whereas MSMEs play an important role in the Indonesian economy (KPPN & BAPPENAS, 2020). MSMEs occupy 99% of the total business units in Indonesia, with a total of 62.9 million business units. MSMEs absorb 96.9% of the total employment and contribute 60.34% of Indonesia's gross domestic product (GDP) (Purwanto, 2020), but range from the economic crisis (KPPN & BAPPENAS, 2020).

The impact of the pandemic on MSMEs is the lack of product demand/sales reaching the most impactful position, then followed by difficulties in distributing products, the price of raw materials has increased, and it is difficult to obtain raw materials (KPPN & BAPPENAS, 2020). Finally, raw materials and supply availability in the market become scarce (Ma et al., 2021). With these conditions, business actors struggle and survive in uncertain business conditions (Roundy, 2020). At the same time, the most significant financial problems are workers' salaries, payment of accounts payable, fixed expenses, and bill payments. One of the reasons for these financial problems is the decline in income reaching 80% (KPPN & BAPPENAS, 2020).

At the time of covid 19, Budi Kurniawan called it a 'pandemic economy,' which was characterized by sellers and buyers choosing to stay at home instead of doing economic activities outside the home, and in this condition, the market was not formed normally (Kurniawan, 2020). To solve economic problems during the pandemic, the Indonesian government has issued a "new normal" policy to anticipate a prolonged economic crisis due to the pandemic. However, the government faces sharp criticism from various communities because Indonesia is still experiencing increasing cases (Rahmanti et al., 2021).

SMEs in the ongoing crisis is reluctant to take any action that will increase the debt-to-equity ratio (Thorgren & Williams, 2020). Organizational fragility is due to underdeveloped financial structures, managerial and entrepreneurial strategies to overcome crises (Hammerschmidt et al., 2021). But there are stages of transformation, opportunity, and compulsion to return to a new life (Irwin, 2017). The question that arises from the conditions mentioned above is: is there a correlation between government policies during the pandemic to the Reincarnation of MSMEs in Indonesia?

**Literature review**

Several studies have focused on industrial conditions during a pandemic (Chidume et al., 2021), the impact of a pandemic during a pandemic (Shafi et al., 2020), government efforts to maintain economic stability and strengthen business actors (Funke & Tsang, 2020), analyzing the potential threat of a pandemic (Ma et al., 2021), political conditions during a pandemic (Park & Chung, 2021), exploring virtual activity experiences, including e-commerce cannot replace the economic crisis and the upcoming recession during a pandemic (Ma et al., 2021), the impact of COVID-19 in the industry from the demand side and supply side and the causes of business actors experiencing losses during the pandemic (Liu et al., 2021). Changes in activity behavior from physical activity to virtual activity participation during new normal conditions, - working, e-learning, non-wholesale e-shopping, food delivery, and film streaming during the outbreak (Irawan et al., 2020). At the same time, this study seeks to find business reincarnation after the government issued policies and established new habits in Indonesia.
Theory

Policies during a Pandemic

The new normal in Indonesia is explained in government policies. The policy of having health protocols and new habits at work is described by the Decree of the Minister of Health of the Republic of Indonesia No. HK.01.07/Menkes/328/328/2020 (Panduan Pencegahan Dan Pengendalian Corona Virus Disease 2019 (Covid-19) Di Tempat Kerja, 2020) Meanwhile, work productivity, job security, and business assistance are described in the Minister of Finance Regulation (PMK) No. PMK-44/PMK.03/2020 (Insentif Pajak Untuk Wajib Pajak Terdampak Pandemi Corona Virus Disease 2019, 2020), and Minister of Finance Regulation No. 70/PMK.05/2020 (Penempatan Uang Negara pada Bank Umum dalam rangka Percepatan Pemulihan Ekonomi Nasional, 2020), which was updated by Regulation of the Minister of Finance of the Republic of Indonesia No. 104/PMK. 05/2020 (Penempatan Dana dalam Rangka Pelaksanaan Program Pemulihan Ekonomi Nasional, 2020).

Several government policies include providing fiscal stimulus, regulating externalities, guarding against exploitation, limiting market power, and providing social protection (Stiglitz, 2021), issuing guidelines to reduce the impact of the Covid-19 shock, such as the allocation of the state budget for socio-economic resilience and Fiscal incentives (Rahayu Puspasari, 2020) reduction of PPh 21 or workers' income tax in one year, exemption from import taxes for 19 specific sectors, reduction of PPH 25 by 30 percent for the KITE sector of Small and Medium Industries (Mufida et al., 2020).

The government also simplifies the rules for prohibiting export and import restrictions or trade procedures, especially imports of raw materials, reducing logistics costs, efficiency in the distribution process of goods (Izzaty, 2020). In addition, Micro, Small, and Medium Enterprises obtain credit relaxation below Rp 10 billion for Micro, Small, and Medium Enterprises (MSMEs), in the form of lower interest rates and postponement of installments for a year and reallocate their budgets to accelerate alleviation of the impact of the corona, both from a health and economic perspective (Ikhsanudin, 2020).

Government policies, namely 1) new habit policies, 2) health protocols consisting of health protocols and performance demanding health protocols, 3) work productivity consisting of policies demanding business performance and increasing productivity, 4) job security consisting of job security policies and increasing job security, and 5) Business assistance consists of aid policies and acceptance of aid.

SME Reincarnation

The theory of Reincarnation has undergone a change which was initially only a doctrine towards a more mediated one related to unique phenomena. Thus, Reincarnation is increasingly believed even without certain religious principles; therefore, reincarnation beliefs have increased in complexity and have received attention from various disciplines (Irwin, 2017).

Phoenix explained that Reincarnation has equivalent words such as birth, rebirth, and transmigration. So Reincarnation is the rebirth of the soul into another body (Phoenix, 2016). Pascal argued that Reincarnation is also an evolution of the soul that continues after death in the world, then rises with a body and a suitable environment, and can evolve. Reincarnation is also the evolutionary goal of every individual who forms a new body for himself and is superior to the substance of nature (Pascal, 1910). Tichenor explains that Reincarnation is a change in form from another form different from the original and born into something else that did not own before (Tichenor, 2003).
Reincarnation in economics is used to describe economic conditions before and after experiencing a financial crisis. Karl Aiginger and Dani Rodrik explained that the economies of developed countries such as China, America, and Germany experienced Reincarnation after the government issued an agenda for economic recovery after undergoing an economic downturn (Aiginger & Rodrik, 2020). The term reincarnation in economics is also used by N. Gregory Mankiw in his The Reincarnation of Keynesian Economics to explain the substantial differences between New Keynesian economics and classical Keynesian economics. New Keynesians have adopted a monetarist view (Mankiw, 1992). Majeed explained that fundamental economic theory had been reincarnated, one of which is the assumption of rationality that has survived and contributed to thinking in the financial field to date (Majeed & Gulzar, 2018).

Industries affected by the pandemic have the opportunity to develop a better business model (Roundy, 2020). One sector that can adapt to the COVID-19 pandemic conditions by creating a digital-based business model is the real sector (Roundy, 2020). In this case, business actors take opportunities in various contexts (Roundy, 2020), such as providing digital services for consumers (Roundy, 2020). with the term business interaction with science and decisions (Thorbecke, 2021). The awakening of business actors can be utilizing existing resources, creating new offerings, new management, new partnerships, learning to rise, and making an ecosystem supporting businesses (Björklund et al., 2020).

Reincarnation of MSEs, namely 1) new knowledge consisting of changes in new knowledge and work knowledge, 2) responsibility consisting of performance and business development responsibilities, 3) business evolution consisting of changes in business types and changes in business forms, 4) work style consists of changes work and work styles according to the pandemic period, and 5) innovation consists of the evolution of businesses and owners and employees evolving according to the pandemic period.

Research method

Riset by relying on online questionnaire data. Online questionnaires have become a new habit in research methods due to the pandemic, as has been done by Mohsin Shafi in researching the impact of COVID-19 on small and medium enterprises in Pakistan (Shafi et al., 2020). Likewise, with this research. Data collection was carried out by distributing online questionnaires in google form sheets, then distributing questionnaires through social media, namely Facebook. Questionnaires were distributed to UMK M groups on Facebook such as the Small and Medium Enterprises MSME Group, MSME & MSME Groups until they met the number.

The population in this study cannot be known for certain, so the method in taking the sample by the author uses non-probability sampling with the technique used, namely Accidental Sampling. To determine the sample size, it is calculated using the Stanley Lemeshow formula (Lemeshow, 1997) as follows:

\[ n = \frac{Z^2 \cdot P \cdot (1-P)}{d^2} \]

Information

\( n \) = number of samples needed
\( Z \) = score Z, at 95% confidence = 1.96
\( P \) = Maximum Estimate = 0.5
\( d \) = fault tolerance = 0.05
Based on the results of the calculation above, the desired number of samples is 384 respondents. However, from filling out the questionnaires distributed, 294 respondents filled out so that the number was then analyzed by normality test and correlation test.

A normality test is a test carried out intending to assess the distribution of data in a group of data or variables, whether the distribution of the data is normally distributed or not. Thus normality test helps determine whether the data collected is typically distributed or taken from an average population. The classical method of testing the normality of data is not so complicated. Based on the practical experience of several statisticians, the data with more than 30 numbers \((n > 30)\) can be assumed to be normally distributed. Commonly referred to as a large sample.

However, to provide certainty, whether the data is normally distributed or not, the normality test should be used. Because information that is more than 30 is not sure to be normally distributed, and vice versa, data that is less than 30 is not necessarily not normally distributed; for that, we need proof. Normality statistical test. Because the number of samples in this study was relatively large, amounting to 294 respondents, the normality test of the data used by the author in this study used the Kolmogorov Smirnov test. After testing the normality of the data, found that did typically did not customarily distributed the existing data.

Therefore, if the data normality test shows that the data is not normally distributed, the Spearman Rho correlation test is used. Although the data obtained is questionnaire data that uses a Likert scale when the data is not normally distributed, the most appropriate statistical correlation test is the Spearman Rho correlation test. Spearman correlation coefficient is a nonparametric method of the strength and direction of the relationship between two variables measured on an ordinal or continuous scale that is not normally distributed with the formula:

\[
rho = \frac{\sum(X' - m_x)(y'_i - m_y)}{\sqrt{\sum(X' - m_x)^2 \sum(y'_i - m_y)^2}}
\]

This correlation test wants to know the basis of decision-making correlation, the strength of the relationship, and the direction of the relationship between variables. The basis for Decision Making If the Significance Value <0.05, then it is correlated. On the other hand, if the significance value is > 0.05, then there is no correlation. I can see the strength of the relationship in this correlation test. The results of the correlation test are at rank:

0.00-0.25 = Very weak correlation
0.26-0.50 = Correlation is sufficient
0.51-0.75 = Strong correlation
0.76-0.99 = Very strong correlation
1.00 = perfect

The third is that this test wants to see the direction of the relationship. The correlation coefficient is seen in the correlation coefficient number, where the correlation coefficient value is between +1 to -1. Thus if the correlation coefficient value is positive, it indicates a
unidirectional relationship, and vice versa; if the correlation coefficient value is negative, it shows an inverse relationship.

**Results and discussion**

**Data Normality Test**

*One-Sample Kolmogorov-Smirnov Test*

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Residual</th>
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</thead>
<tbody>
<tr>
<td>N</td>
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</tr>
<tr>
<td>Normal Parameters</td>
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</tr>
<tr>
<td>mean</td>
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</tr>
<tr>
<td>Std. Deviation</td>
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</tr>
<tr>
<td>Most Extreme Differences</td>
<td></td>
</tr>
<tr>
<td>Absolute</td>
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</tr>
<tr>
<td>Positive</td>
<td>0.051</td>
</tr>
<tr>
<td>Negative</td>
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</tr>
<tr>
<td>Test Statistics</td>
<td></td>
</tr>
<tr>
<td>asymp. Sig. (2-tailed)</td>
<td>0.000 *</td>
</tr>
</tbody>
</table>

Through the Kolmogorov-Smirnov data normality test, the results obtained a significance value of 0.000 where if the significance value (Asymp Sig) is more significant than 0.05, then the research data is usually distributed, otherwise if the significance value (Asymp Sig) is less than 0.05 then the research data is not distributed. Normal. This proves that the data in this study are not normally distributed, so a nonparametric correlation test is needed through the Spearman rho correlation test.

*Spearman Correlation Test*

<table>
<thead>
<tr>
<th></th>
<th>Total_X1</th>
<th>Total_Y1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman's rho</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total_X1</td>
<td>1.000</td>
<td>0.619 **</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
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<tr>
<td>N</td>
<td>294</td>
<td>294</td>
</tr>
<tr>
<td>Total_Y1</td>
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<td>N</td>
<td>294</td>
<td>294</td>
</tr>
</tbody>
</table>

**.** Correlation is significant at the 0.01 level (2-tailed).

The output of the correlation calculation above, N indicates the number of observations/samples as many as 294, while the number 0.619(*) * indicates the high correlation. Therefore the correlation between the two variables is 0.619. While the number sig. (2-tailed) is 0.000, which is still smaller than the critical limit = 0.05, meaning a significant relationship between the two variables.

From the results above, it can be concluded that the Significance in the table = 0.0000 Very Significant so that it can be supposed that the New Normal Government Policy is closely related to Reincarnation. The strength of the relationship or correlation is 0.619, indicating a strong correlation between New Normal and Reincarnation. While the direction of the
relationship shows a positive value or 0.619, it means that it has a unidirectional relationship to
decide that the increasing importance of government policies will further improve the state of
MSME Reincarnation.

The coronavirus (COVID-19) pandemic has undeniably affected the global economy and
environment. The primary victims of the COVID-19 outbreak are Micro and Small Enterprises
(UMK), especially in developing countries (Bai et al., 2021). The pandemic has brought down
the real sector, including small and medium-sized businesses (Shafi et al., 2020). The impact of
the pandemic ranges from decreased sales, lack of access to finance, reduced production to
production cessation (Nordhagen et al., 2021). The COVID-19 pandemic has resulted in the
closure of all tourist destinations in Indonesia, including parks, and this has had a significant
impact on the economy of actors and workers in the tourism sector losing their jobs (Cahyadi
& Newsome, 2021).

The Indonesian government has issued policies for economic recovery, namely the new
standard policy that regulates activities during a pandemic (Panduan Pencegahan Dan
Pengendalian Corona Virus Disease 2019 (Covid-19) Di Tempat Kerja, 2020), and assists the
real sector, including MSMEs (Rahayu Puspasari, 2020). This condition provides new hope for
business actors to rise during the covid 19 pandemic. This is indicated by increasing trust in the
government and growing consumer intentions to shop outside the home (Dedeoğlu & Boğan,
2021).

The more effectively the government can control the pandemic and its economic impact,
the less risk there will be and the faster the economic recovery will occur. This is because the
government has played an active role in fixing problems that the market cannot solve (Stiglitz,
2021).

Government policies related to the New Normal require employers to form new work
habits and adopt new work habits, which have been correlated with new knowledge and work
knowledge changes. As a result, business actors have the opportunity to develop a better
business model during a pandemic (Roundy, 2020).

The changing attitudes and behavior of a person or group is an attempt to mature humans
through teaching and training efforts. The better a person’s knowledge, the faster they receive
and understand information; it will positively impact better change, utilize existing resources,
create new offers, new management, new partnerships, learn to rise, and create an ecosystem
that supports business. (Björklund et al., 2020). This is the core of the Reincarnation of the
companies that have been affected by the pandemic. This is what the government has been
trying to do in economic recovery (Ikhsanudin, 2020).

The results show that government policies during a pandemic include Health Protocol
policies (Panduan Pencegahan Dan Pengendalian Corona Virus Disease 2019 (Covid-19) Di
Tempat Kerja, 2020), "new normal" policies to anticipate the economic crisis (Rahmanti et al.,
2021) correlates with new habits of business actors in running a business as a form of
responsibility for business performance and business development that will have an impact in
the broader community.

The work style had changed by implementing health protocols such as masks which
before the covid 19 pandemic was a foreign thing to do. During the pandemic, it became a new
habit at work. The government must do the most fundamental something in the new standard
period to provide business capital assistance. During the pandemic, the business capital of
business actors is significantly slumped so that they need fresh funding from the government,
where business actors can use the new fund assistance. To rebuild their businesses, because this
study found that capital assistance correlates with the rise of MSMEs.
The results of this study also show that relaxation of credit for Micro, Small, and Medium Enterprises (MSMEs), lower interest rates, postponement of installments for a year, and reallocate the budget to accelerate recovery from the impact of the corona, both from a health and economic perspective (Ikhsanudin, 2020), leads to an increase business performance and increased productivity. In the New Normal period, productivity leads to the evolution of business both in terms of changes in business types and business forms, so this study finds that government policies correlate with the revival of MSMEs. Nordhagen also considers that there are policy implications in overcoming business downturns and can increase the long-term resilience of business systems to support further progress towards sustainable progress. (Nordhagen et al., 2021).

The Indonesian government has provided job guarantees for the community and business actors with the Minister of Finance Regulation (PMK) No. PMK-44/PMK.03/2020 (Insentif Pajak Untuk Wajib Pajak Terdampak Pandemi Corona Virus Disease 2019, 2020). The provision of job security in this study found that there was a correlation between the revival of MSMEs

Exploring new businesses (Nordhagen et al., 2021), changing the payment system to digital transformation priorities for MSEs, and accessing virtual customers (Bai et al., 2021) provide MSEs with room to bounce back from the bad. However, Irawan explained that physical activity changing to virtual activity participation could not be replaced by virtual activity experiences, including e-working, e-learning, non-wholesale e-shopping, food delivery, and film streaming during the outbreak (Irawan et al., 2020).

Reincarnation describes economic conditions before and after experiencing a financial crisis (Aiginger & Rodrik, 2020). MSMEs in Indonesia have experienced Reincarnation because they have bounced back after feeling the impact of the Covid 19 Pandemic. The revival was motivated by government policies related to economic recovery in Indonesia. Several developed countries such as China, America, and Germany also experienced Reincarnation after the government issued an agenda for economic recovery after undergoing an economic downturn (Aiginger & Rodrik, 2020).

Conclusion

The Indonesian government has issued policies to restore the national economy, starting with health protocol policies and new habits at work in the Minister of Health and policies on work productivity, job security, and business assistance described in the Minister of health Finance. One of these policies is directed at the real sector affected by the pandemic, including MSMEs. Reincarnation describes economic conditions before and after experiencing a financial crisis that leads to better conditions. This study found that the level of strength of the relationship or correlation was 0.619, indicating that there was a strong correlation between government policies facing New Normal conditions and The Reincarnation of MSMEs having a unidirectional relationship that showed a positive value so that the better the government's alignment with government policies would further improve the state of MSME reincarnation towards positive growth. The rise of MSMEs is marked by an increase in new knowledge of MSME actors, the responsibility of MSMEs to develop business, carry out business evolution that can adapt to pandemic conditions, changes in work styles, and business innovation during a pandemic.
References


