



MINISTRY OF COOPERATIVES AND SMALL MEDIUM ENTERPRISES  
REPUBLIC OF INDONESIA

# MAKING INDONESIA's MICRO ENTERPRISES *DANCE* WITH COVID-19

By:

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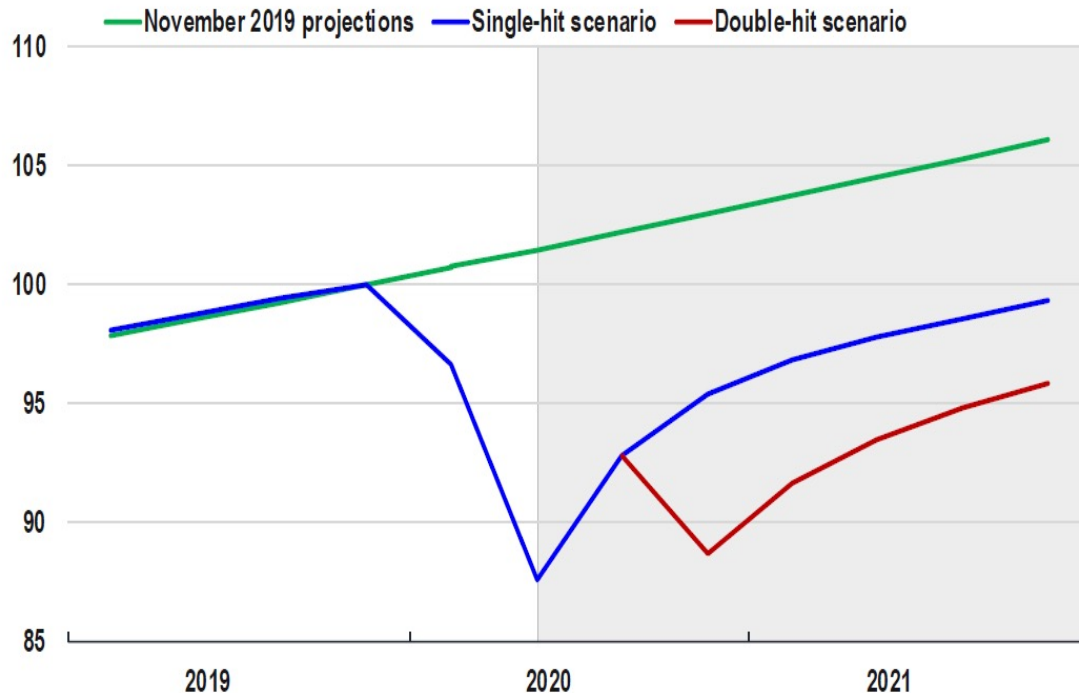


# PANDEMIC vs ECONOMIC, SO FAR

All Countries are projected to experience a deep recession in 2020 followed by a slow and gradual recovery in 2021 in both scenarios. In the “double-hit” scenario, global GDP is projected to decline by 7.6% this year and remain well short of its pre-crisis level at the end of 2021; in the “single-hit” scenario, world GDP is projected to decline by 6% this year, but will have almost regained the pre-crisis level at the end of 2021. (OECD, 2020)

## World GDP

Constant prices, index, 2019Q4 = 100



## COVID-19 IN INDONESIA

TOTAL CASE

1.430.458

RECOVER

1.257.663  
(87,9%)

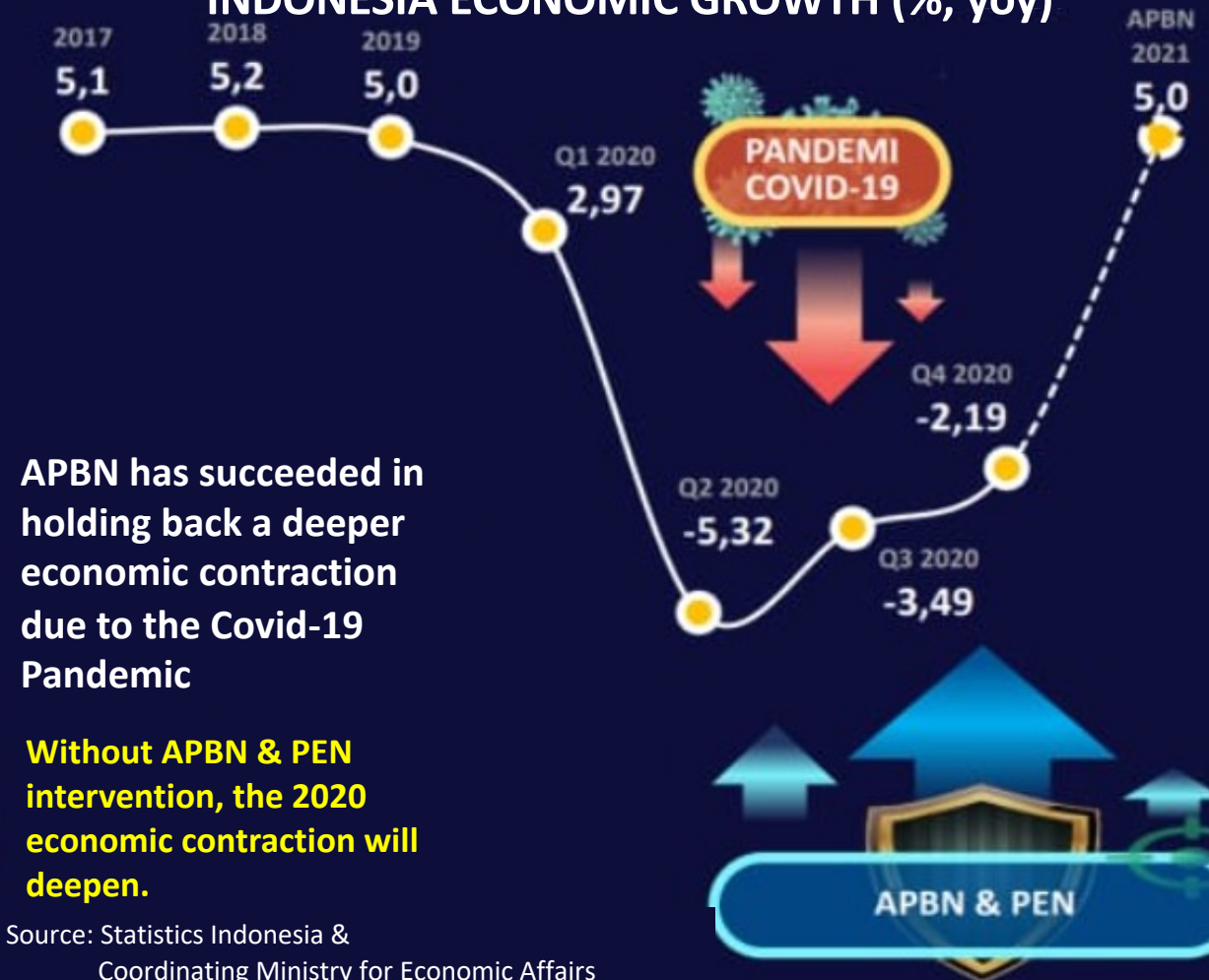
IN CARE

134.042  
(9,4%)

DEATH

38.753  
(2,7%)

## INDONESIA ECONOMIC GROWTH (% , yoy)



Note: APBN (State Budget) ; PEN (National Economic Recovery)



# SMART CITY AS AN OPPORTUNITY FOR MSMEs

**A Smart City** is an agglomerated area affected by a high concentration of learning and innovation as a result of creative citizens and institutions as well as the implementation of a digital infrastructure with the overall objective of achieving economic growth and a high quality of life, while keeping in mind the scarcity of natural resources” (Caragliu et al., 2011; Giffinger et al., 2007; Hollands, 2008; Komninos, 2006)

## SMART CITY AND SERVICES



## MSME AS THE BACKBONE OF THE MOST ECONOMIES

### Micro, Small, and Medium-Sized Enterprises in Southeast Asia, 2010–2019

	Percentage share	Compound annual growth
• Number of MSMEs to total enterprises	97.2%	-0.3%
• MSME employees to total employees	69.4%	+0.8%
• MSME contribution to national GDP	41.1%	+2.3%
• MSME export to total export value*	20.4%	-0.05%

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise. Reporting countries only.

\* 2010–2018.

Source: ADB, October 2020

MSMEs Dominate the Business Environment. However, the majority of MSME prefer traditional ways of doing business

## THE CONDITION

### Challenges in Indonesia

- The Lack of well-organized place for MSME (spatial problem for smart city)
- >90% MSME (especially Micro Enterprises are estimated to be informal

### Regulation and Program

- 30% of Public Infrastructure are reserved for MSMEs
- Informal to Formal Transformation
- MSMEs Special Corner in the Departement Store





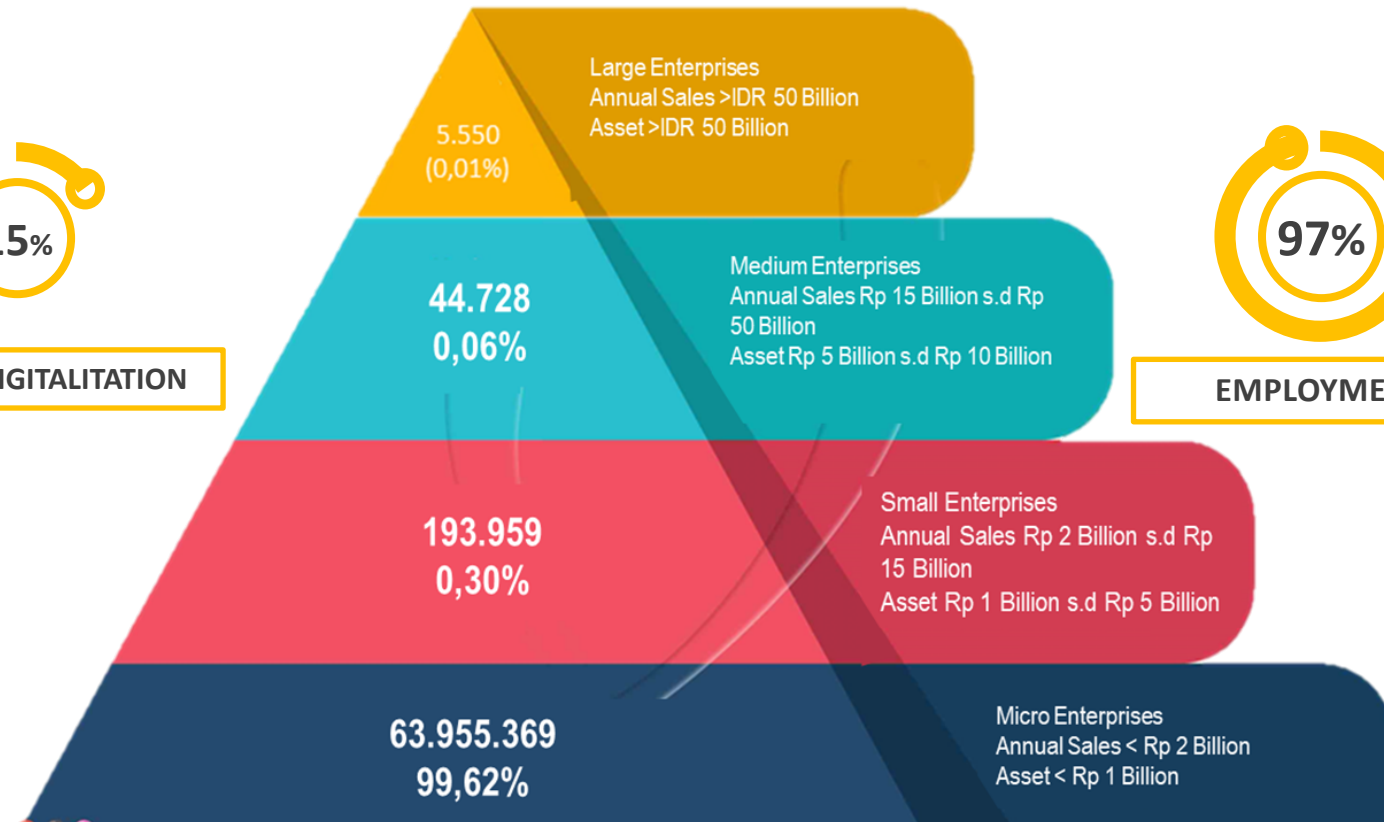
POPULATION



MSME DIGITALITATION



EXPORT



EMPLOYMENT



NATIONAL  
INVESTMENT



GDP

Note: Based on PP Nomor 7 of 2021

Enterprises Scale	UU Number 20 of 2008			PP Number 7 of 2021				
	Omzet (IDR)	Amount (Unit)	Percentage (%)	Omzet (IDR)	Addition	Amount (Unit)	Percentage (%)	Delta (%)
Micro	≤ 300 Million	63.350.222	98,68	≤ 2 Billion	605.147	63.955.369	99,62	0,96
Small	300 Million - 2,5 Billion	783.132	1,22	2 Billion - 15 Billion	15.974	193.959	0,30	-75,23
Medium	2,5 Billion - 50 Billion	60.702	0,09	15 Billion - 50 Billion	0	44.728	0,07	-26,32
Big	> 50 Billion	5.550	0,01	> 50 Billion	0	5.550	0,01	0
Total		64.199.606				64.199.606		

Note: \*) SMEs is evenly distributed over a range of criteria; UU is Law; PP is Government Regulation

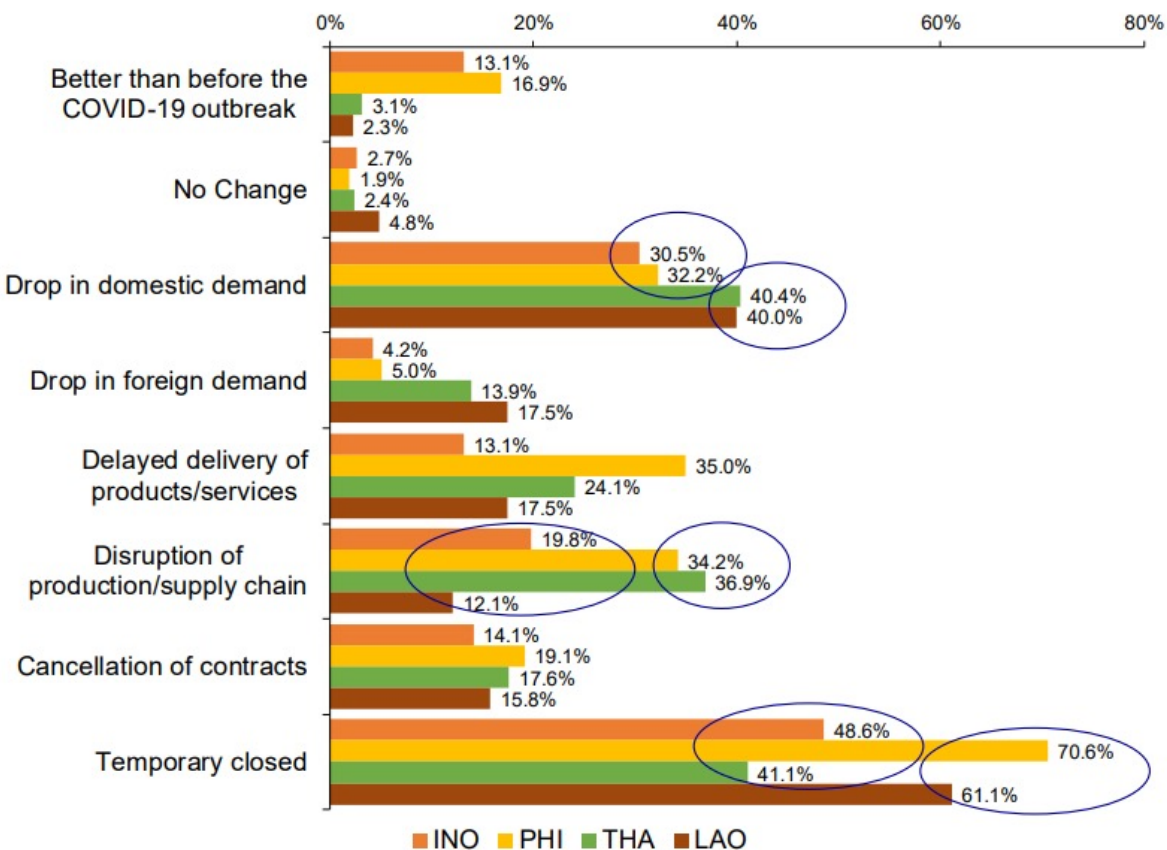
There is an increase in the number of Micro Enterprises by 0.94% from 63,350,222 businesses to 63,955,369 businesses

SMSEs in  
INDONESIA



# COVID-19 IMPACT ON INDONESIA

MSME's Business Environment after COVID-19 Outbreak



MSMEs cut back production and service delivery due to compressed demand and supply disruptions

## INDONESIA MSME DURING COVID-19 PANDEMIC

**48,8%**

Temporary Closed

**37,9%**

Monthly Income Decrease >30%

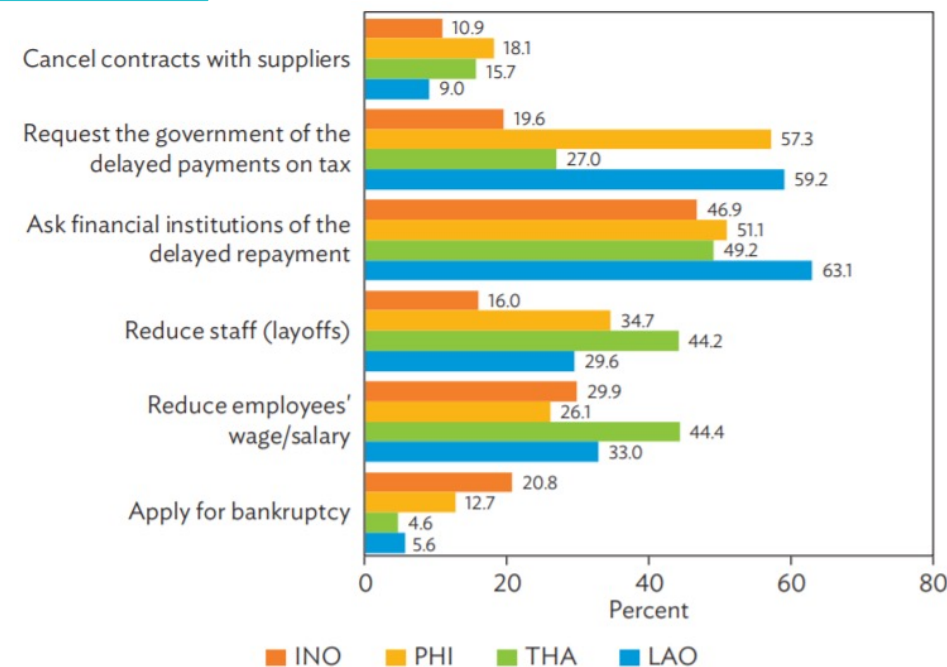
**51%**

Staffing Cut

**52,4%**

Already has no cash and savings

## MSME RESPOND





# NATIONAL ECONOMIC RECOVERY PROGRAM FOR MSMEs IN 2020

## FUNDING FOR COVID-19 HANDLING (IDR 695.20 T)

### Health

**IDR 87.55 T**

1. Expenditure for Covid-19 Handling Rp65.80T;
2. Incentives for Paramedic Rp5.90T;
3. Death Compensation Rp0.30T;
4. National Health Insurance Fee Rp3.00T;
5. Covid-19 Task Force Rp3.50T; &
6. Tax Incentives in Health Rp9.05T

### Social Protection

**IDR 203.90T**

1. Conditional Cash Transfer Program Rp37.40T;
2. Basic Foods Rp43.60T;
3. Social Assistance - Jabodetabek Rp6.80T;
4. Social Assistance - Non - Jabodetabek Rp32.40T;
5. Pre-Working Rp20.00T;
6. Electricity Discount Rp6.90T;
7. Logistical / Foods / Basic Foods Rp25.00T;
8. Village Fund - Cash Transfer Rp31.80T

### Business Incentives

**IDR 120.61T**

1. Government-Borne Income Tax Rp39.66T;
2. Income Tax Exemption on Import Rp14.75T;
3. Tax Deduction Rp14.40T;
4. VAT Return Rp5.80T;
5. Corporate IT Rate Reduction Rp20.00T; &
6. Other Stimulus Rp26.00T

### SMEs

**IDR 123.46 T**

1. Interests Subsidy Rp35.28T;
2. Fund Placement Rp78.78T;
3. Guarantee Return Rp5.00T;
4. Working Capital Guarantee (Stop Loss) Rp1.00T;
5. Government-Borne Final Income Tax Rp2.40T; &
6. Investment Financing to Cooperatives Rp1.00T

### Corporate Financing

**IDR 53.57 T**

1. Labor Intensive-Fund Placement Rp3.42T;
2. Capital injection Rp20.50T (HK Rp7.5T; BPUI Rp6.0T; PNM Rp1.5T; ITDC Rp0.5T; PPA Rp5T)
3. Working Capital Bail-Out Rp29.65T (Garuda Rp8.5T; KAI Rp3.5T; PTPN Rp4T; KS Rp3T; Perumnas Rp0.65T; PPA Rp10T)

### Sectoral and Regional Government

**IDR 106.11 T**

1. Line Ministries labor Intensive Program Rp18.44T;
2. Housing Incentives Rp1.30T;
3. Tourism Rp3.80T;
4. Regional Incentive Fund (DID) Rp5.00T;
5. Physical Special Allocation Fund Reserve Rp8.70;
6. Regional Loan Facility Rp10.00T; &
7. Expansion Reserve Rp58.87T

Source: Ministry of Finance Republic of Indonesia

Particularly in MSMEs Sector, The allocation for fiscal support is Rp 123.46 T aims to encourage the supply side because a lot of MSMEs have been affected by Covid-19 in their financing, distribution and turnover. Cooperatives also get a special financing support that distribute through LPDB-KUMKM

BASED ON PRESIDENTIAL DECREE NUMBER 72 OF 2020

PROGRAM (IDR Billion)	REVISE BUDGET (IDR Billion)	REALIZATION (IDR Billion)	(%)
1. INTERESTS SUBSIDY	12.935,00	12.054,17	93,19
2. FUND PLACEMENT	66.750,00	66.750,00	100,00
3. GUARANTEE RETURN (IJP)	1.100,00	1.091,61	99,24
4. WORKING CAPITAL GUARANTEE	1.000,00	0,00	0,00
5. GOVERNMENT – BORNE FINAL INCOME TAX	770,00	766,90	99,60
6. INVESTMENT FINANCING TO COOPERATIVES	1.292,00	1.292,00	100,00
7. ASSISTANCE FOR MICO ENTERPRISES(BPUM)	28.800,00	28.800,00	100,00
8. CADANGAN UMKM 2021 (SILPA 2020 EARMARK)	3.670,00	0,00	0,00
<b>TOTAL</b>	<b>116.317,00</b>	<b>110.754,68</b>	<b>95,22</b>



# OMNIBUSLAW FOR A BETTER MSMEs



## ROLE

Improving labor absorption

Making the cooperatives become the first Economic Institution choice for the people

Strengthening the MSME position in supply chain

MSME Digitalization acceleration

Providing easy financial support for MSME

Providing market priority for MSME Product



## SUBSTANCE

Simplicity of  
Business  
Licensing

Simplicity of  
founding a PT

Simplicity of  
Financial  
Support

Simplicity of  
market access

Simplicity of  
business place  
access

Simplicity of  
supply chain

Incentive in Tax  
and Fiscal

Simplicity of  
Founding a  
Cooperatives

Cooperatives  
Management

National One  
Data for MSME  
Regulation

Simplicity of  
law support  
access

MSME  
Incubation and  
Assistance

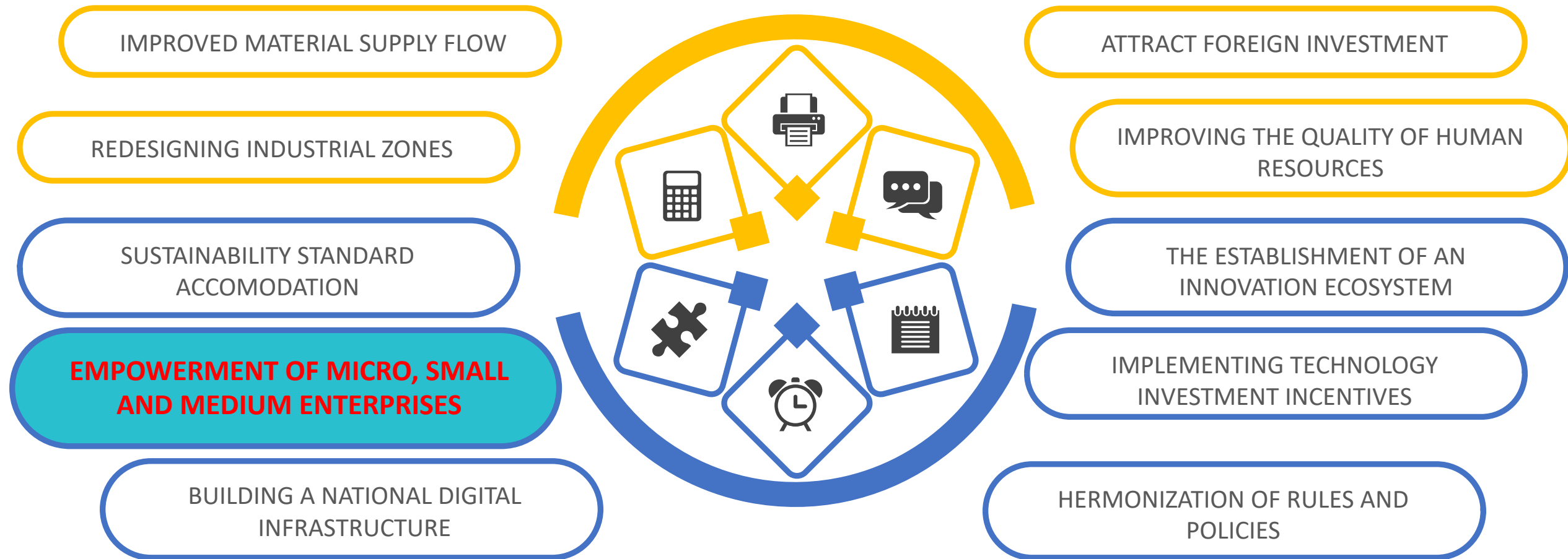
UMKM  
Protection

Cooperation in  
Social Forest  
Program





# 10 NATIONAL PRIORITIES FOR MAKING INDONESIA 4.0

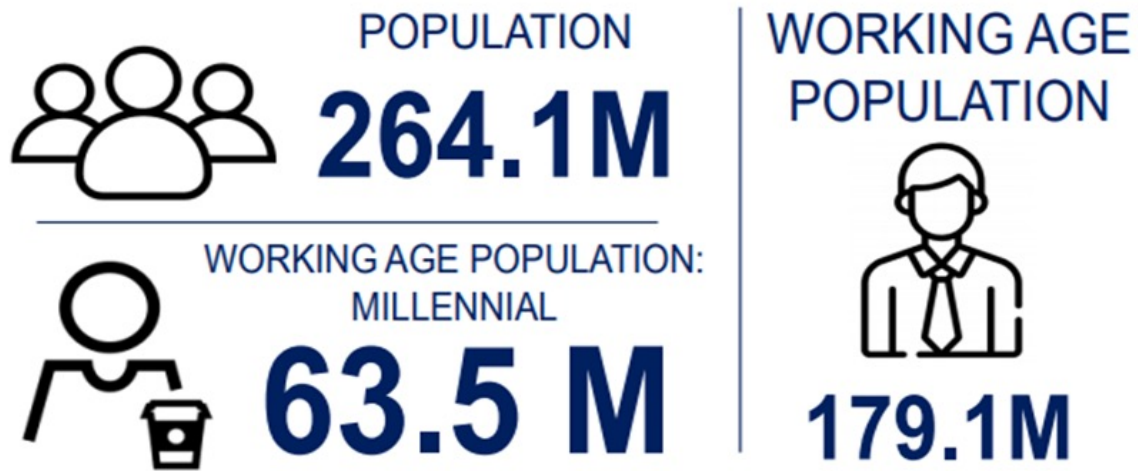






# INDONESIA LANDSCAPE OF DIGITALIZATION

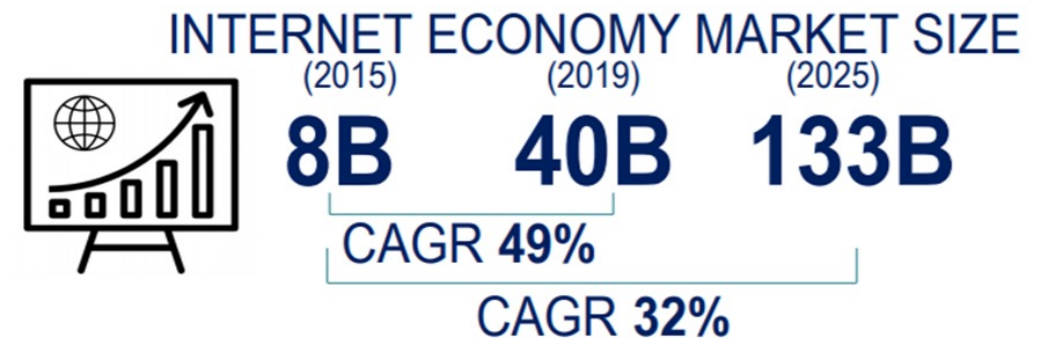
## PEOPLE OF INDONESIA



DELLOITE'S SURVEY OF MILLENNIALS (GLOBAL)

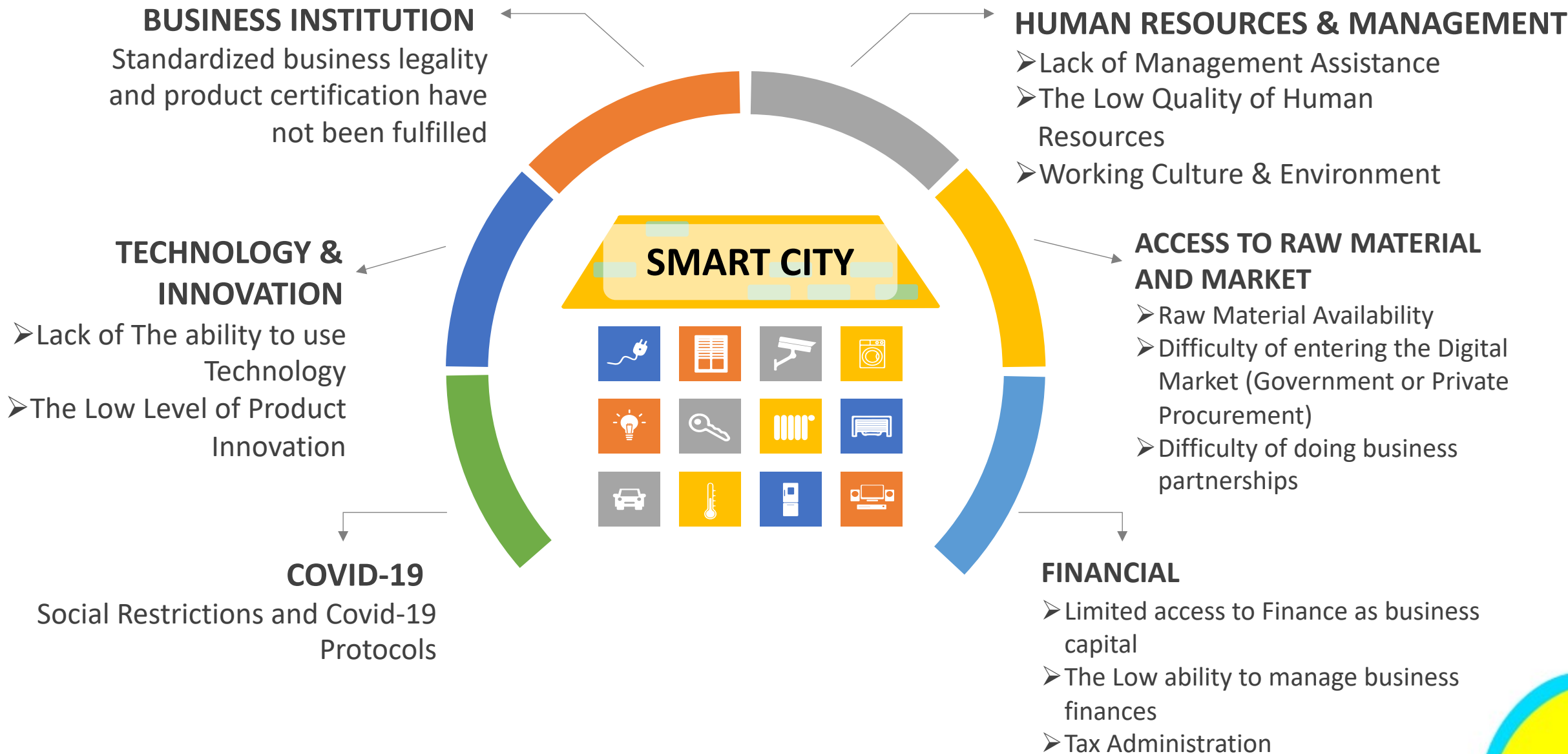


## DIGITAL





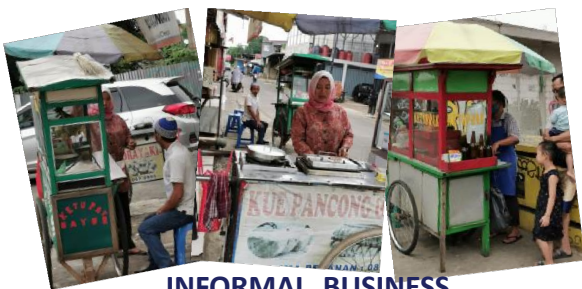
# MICRO ENTERPRISES CHALLENGES





# FORMALIZING MICRO ENTERPRISES (Outlook)

2020



**INFORMAL BUSINESS**

Characteristic:

- Have a small Capital
- Simple equipment
- Gain a small profit
- Didn't pay taxes
- Unauthorized
- Don't have Financial Report
- Managed by a few people
- Limited marketing

**NIB AND IUMK EXISTING DATA FROM OSS**



**SME 81%**  
**1.229.417 NIB**

**Total 2020:**  
**1.519.551 NIB**



**1.670.685 BP**  
Period Jan-Dec 2020

Source: BKPM, JAN 2021

## CHALLENGES



Pandemic Impact



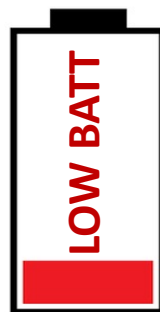
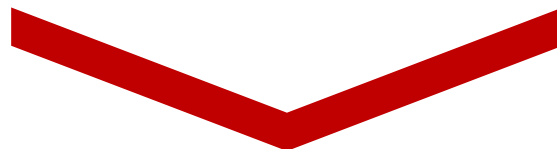
Lack of Capital



Digital Connection to  
Market Supply Chain



Lack of assistance



2021\*

## MICRO ENTERPRISES SCALING UP

Characteristic:

- Have a sufficient Capital
- Authorized
- Gain more revenue
- Able to pay taxes
- Having an equipment for production
- A better financial report
- Better Marketing
- Having more employees

## Outcome



**MICRO ENTERPRISES**



**BUSINESS  
LEGALITY (NIB)**

**5000 Existing Budget**  
**(2,5 Million Target)**



**500 Product Certified**  
**(HALAL, SPP-IRT, MD,  
SNI, HA.KI)**





# COLLABORATION PROGRAM BETWEEN GOVERNMENT AND PRIVATE SECTOR FOR MSMEs SUSTAINABILITY

## MSME sister /Kakak Asuh UMKM (KAU)

Preparing MSMEs for on-boarding to the digital ecosystem (digital marketing training). This program in collaboration between the Ministry of Cooperatives and SMEs, SMESCO Indonesia, and Lazada Indonesia.

### #belanjadiwarungtetangga Movement (shopping at the neighbour stalls)

Collaboration between Ministry of Cooperatives and SMEs with BULOG, PTPN and 9 food clusters that connecting traditional stalls to an online platform (food stall application) where BUMN act as the product offtaker for the products of SMEs Cooperatives / Farmer groups / Gapoktan

### Production of personal protective equipment/PPE (Hazmat Suit, Mask, and Hand Sanitizer) by MSME

Daruma (Karya Nusantara) as *quality control* and marketing agregator  
BUMN/Ministry as *offtaker* PPE, mask, *handsanitizer* of MSME production



### e-katalog for MSME Products

Prioritizing MSME products in the e-catalog to obtain certainty / priority for the procurement of goods and services by the government (K/L, Local Government) and BUMN

### #Bangga Buatan Indonesia (BBI) Movement

Collaboration between Government, Large Enterprises (Local Top Brands), and digital platforms in accelerating the on-boarding of MSMEs to the digital ecosystem and increasing the proud movement of using local products.

## DIGITAL MARKET (PaDi) MSMEs

Pasar Digital (PaDi) also known as Digital Market is a collaboration program with Ministry of BUMN to spend on goods and services in MSME if the budget is below Rp 14 Billion.



# TOWARDS THE RISE OF INDONESIAN MSMEs

*“MSME is a sector that keeps economy rotating, therefore we must maintain the continuity of the MSME business in the midst of a transition to a new normal life”*



The Covid-19 pandemic is the right momentum for Indonesia and all economies to accelerate the digitization of MSMEs. In the meaning of strengthening resilience of MSMEs in facing today's crisis, and anticipating various changes in the future.



Digitalization of MSMEs must be a collective agenda, through education and incubation for MSMEs to connect with the digital ecosystem



The restructuring policy, postponement of installments, interest subsidies, and the availability of KUR of financing for MSME will continue to be supported to help cash flow and working capital of MSMEs



Reactivate businesses according to government directions and ensure the readiness of MSME players to implement health protocols



# REMARKS

- So It's very clear that our Economy has to survive and keep growing, hand in hand with the new normal life;
- The development of smart city is also the momentum for developing MSMEs in a better approach;
- In other words, to survive We have to make our MSMEs able to *dance* with Covid19





# CURRICULUM VITAE

**Eddy Satriya** was born in Bukittinggi, West Sumatera, Indonesia.

Starting from January 18, 2021, he works as Deputy Minister of Micro Enterprises, The Ministry of Cooperatives and SMEs, Republic of Indonesia. From May 6, 2020 He Joined The Ministry of Cooperatives and SMEs as Deputy Minister of Business Restructuring.

Before joining MCSMEs, he was Deputy Assistant for ICT and Utility in Deputy of Infrastructure and Regional Development, Coordinating Ministry for Economic Affairs (2005 – 2020) and The National Development Planning Agency – BAPPENAS (1989 – 2005)

Eddy obtained a Bachelor degree from the Electrical Engineering Department, Major in Telecommunication, Bandung Institute of Technology (ITB), and his Master of Arts in Economics at the University of Connecticut, Storrs, CT, USA.

Dedicated most of his career in Digital Economy, Information and Communication Technology (ICT), Infrastructure, Energy and Utility sector, MSMEs, and Bureaucratic Reform for more than 30 years.

Up until now, he has also been doing research and become more productive in writing articles and columns for various topics. His White book on *“Indonesia Digital for Future Economy and Inclusive Urban Transformation”* can be downloaded and freely shared at: <https://bit.ly/2WZbuXX> or <https://tiny.cc/whitebookeddy>





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