

COVID-19 Impact on Micro, Small, and Medium-Sized Enterprises and Post-Crisis Actions

One-year after the outbreak in Indonesia

Asian Impact webinar: How Smaller Firms in Indonesia Survive One Year into the Pandemic
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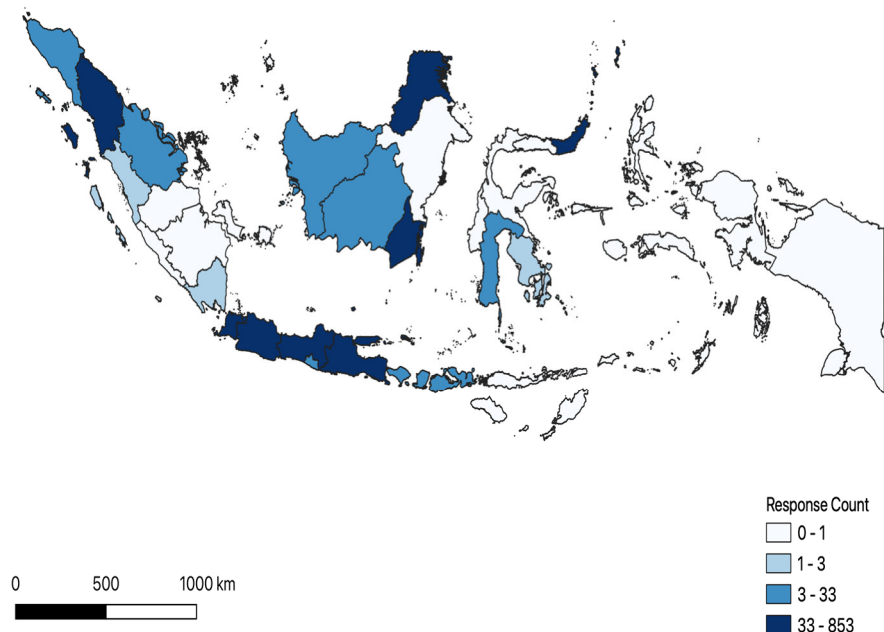
Asian Development Bank

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Profile of MSMEs Surveyed

Response Counts at the Regional Level



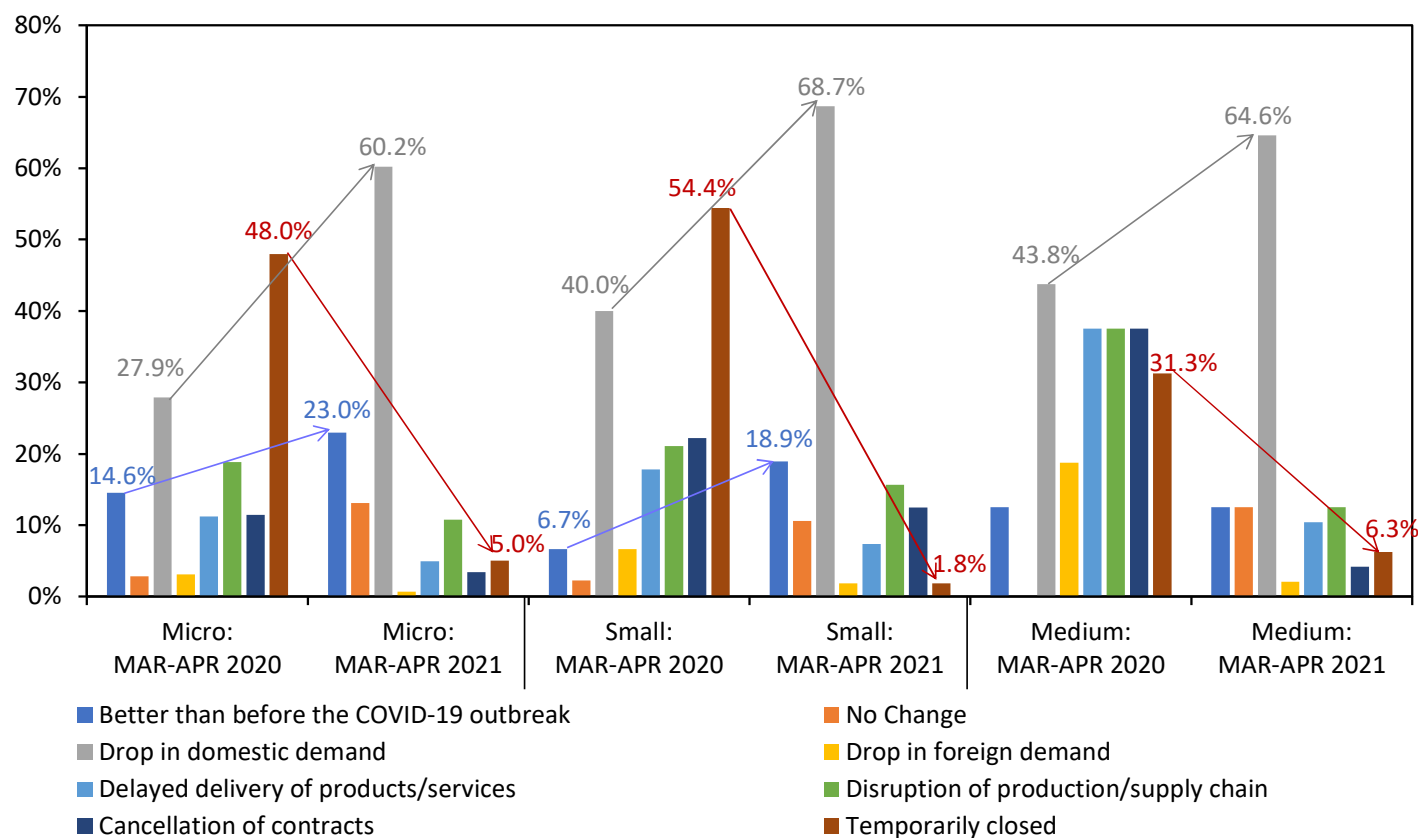
- 2,509 complete responses from MSMEs.
- 89.4% of the respondents from micro, 8.7% small, and 1.9% medium-sized firms.
- 88.2% of the respondents from 4 provinces (DKI Jakarta, Jawa Barat, Jawa Timur, and Sumatera Utara).
- 93.8% engaged in services (6.2% for tourism), 3.2% manufacturing, and 3.0% agriculture.
- 93.0% for sole proprietorship.
- 47.5% for young startups operating 0-5 years.
- 49.8% for women-led MSMEs.
- 28.1% for digitally-operated MSMEs.
- 1.7% for internationalized MSMEs.

Source: calculated based on data from the follow-up MSME survey in Indonesia, March–April 2021.

One Year after the Outbreak in Indonesia:

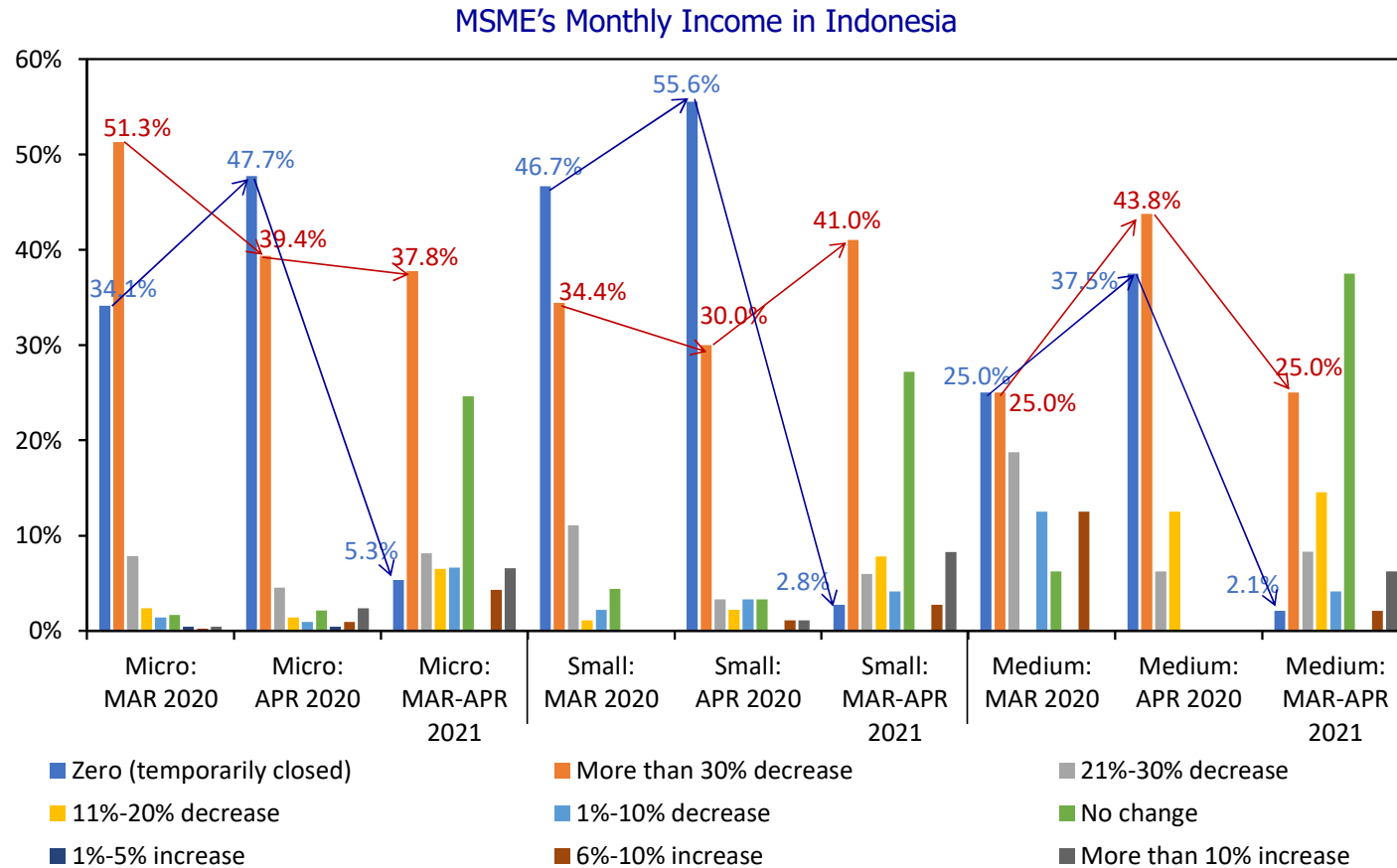
Economy has moved to the recovery stage.
Business reopening but continued drop in domestic demand.

MSME's Business Environment in Indonesia



Note: 525 valid samples from the MSME Survey in Indonesia (March-April 2020); 2,509 from the Follow-up MSME Survey in Indonesia (March-April 2021). Source: Calculated based on data from series of MSME surveys in Indonesia.

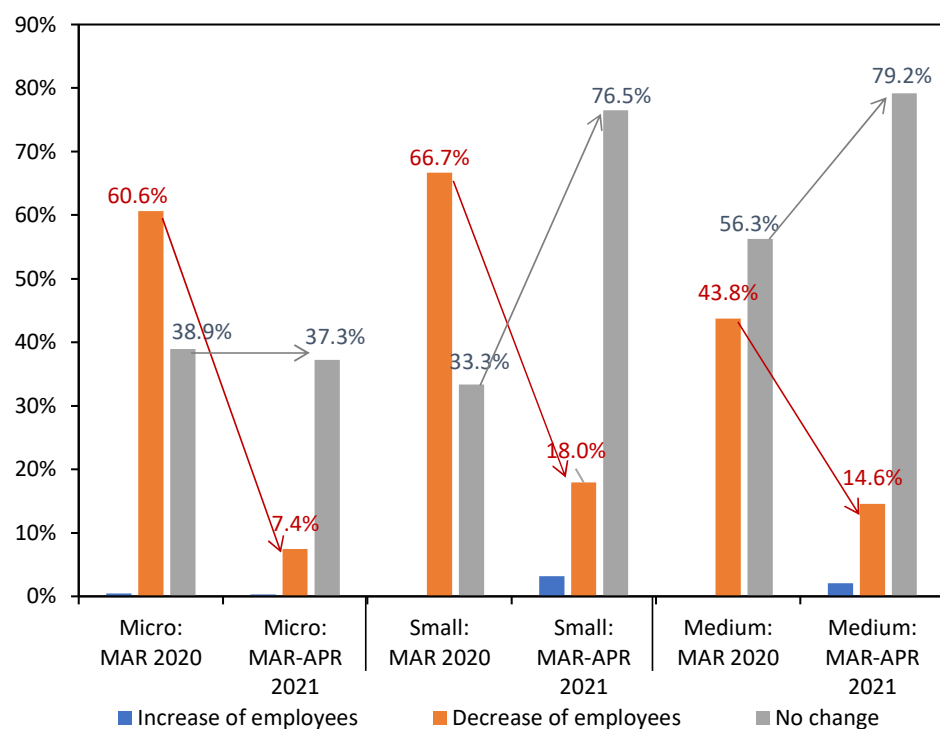
MSMEs with no revenue decreased sharply but continued drop in income.



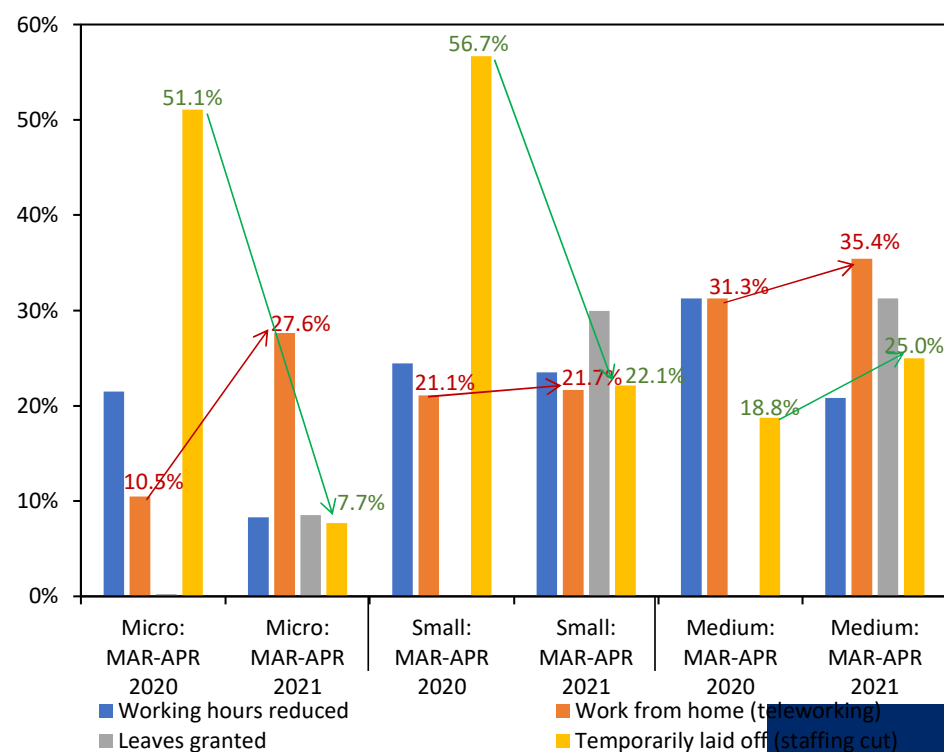
Note: 525 valid samples from the MSME Survey in Indonesia (March-April 2020); 2,509 from the Follow-up MSME Survey in Indonesia (March-April 2021).
Source: Calculated based on data from series of MSME surveys in Indonesia.

Employment is returning to normal. WFH arrangement has spread.

MSME Employment in Indonesia



Changes in MSME Employment in Indonesia

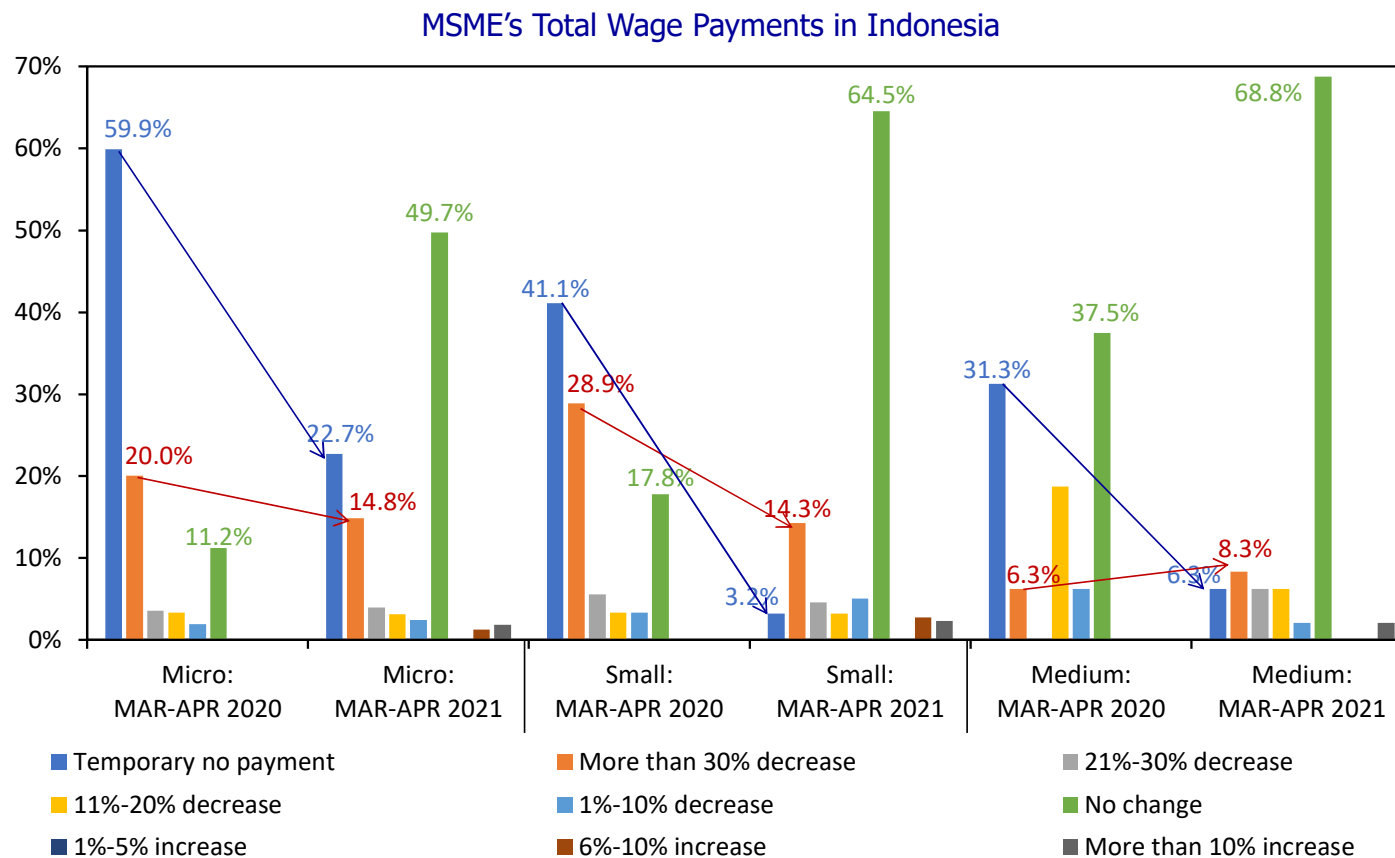


WFH = work-from-home.

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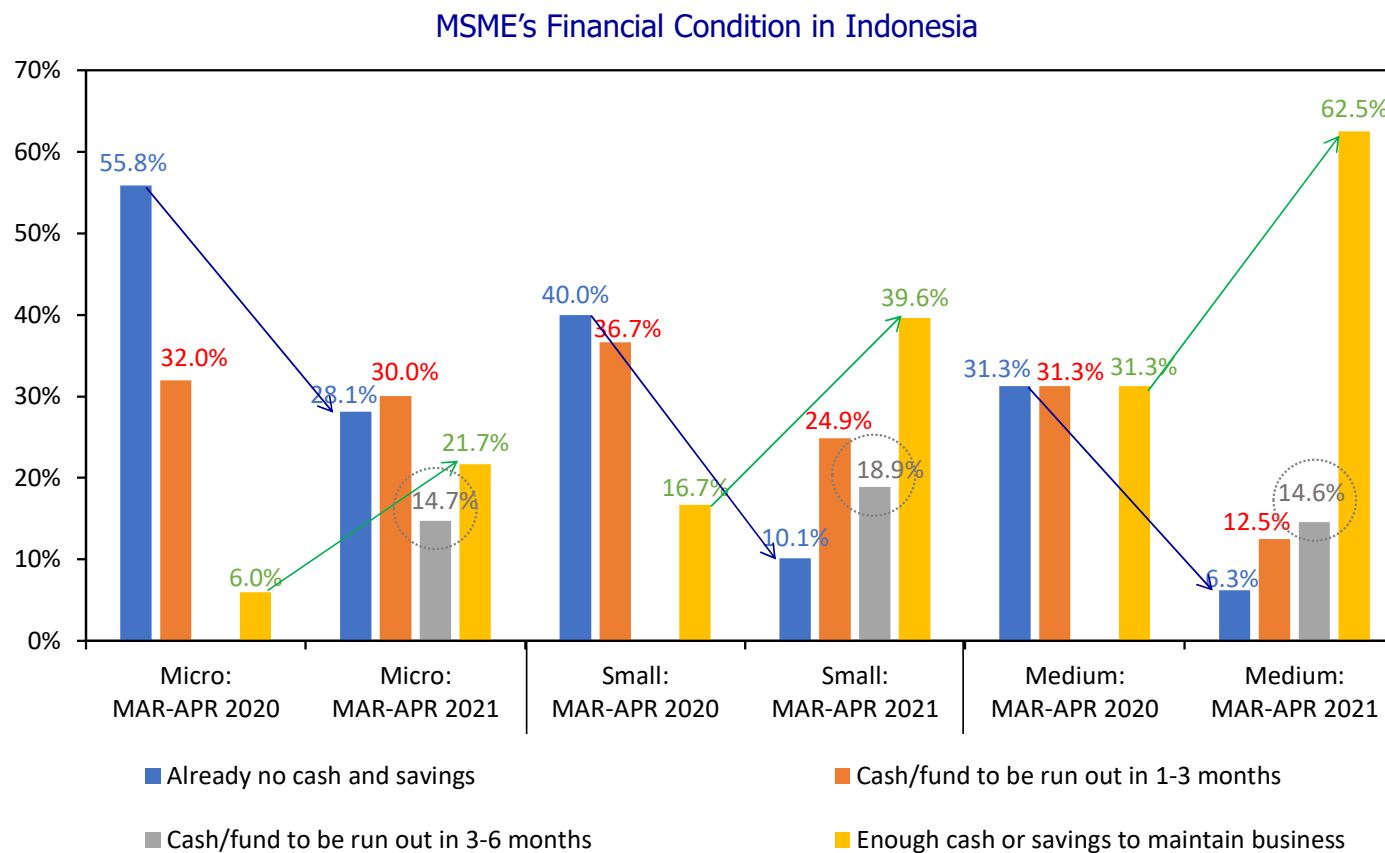
Source: Calculated based on data from series of MSME surveys in Indonesia.

MSMEs with no wage payments decreased sharply and limited wage cut.



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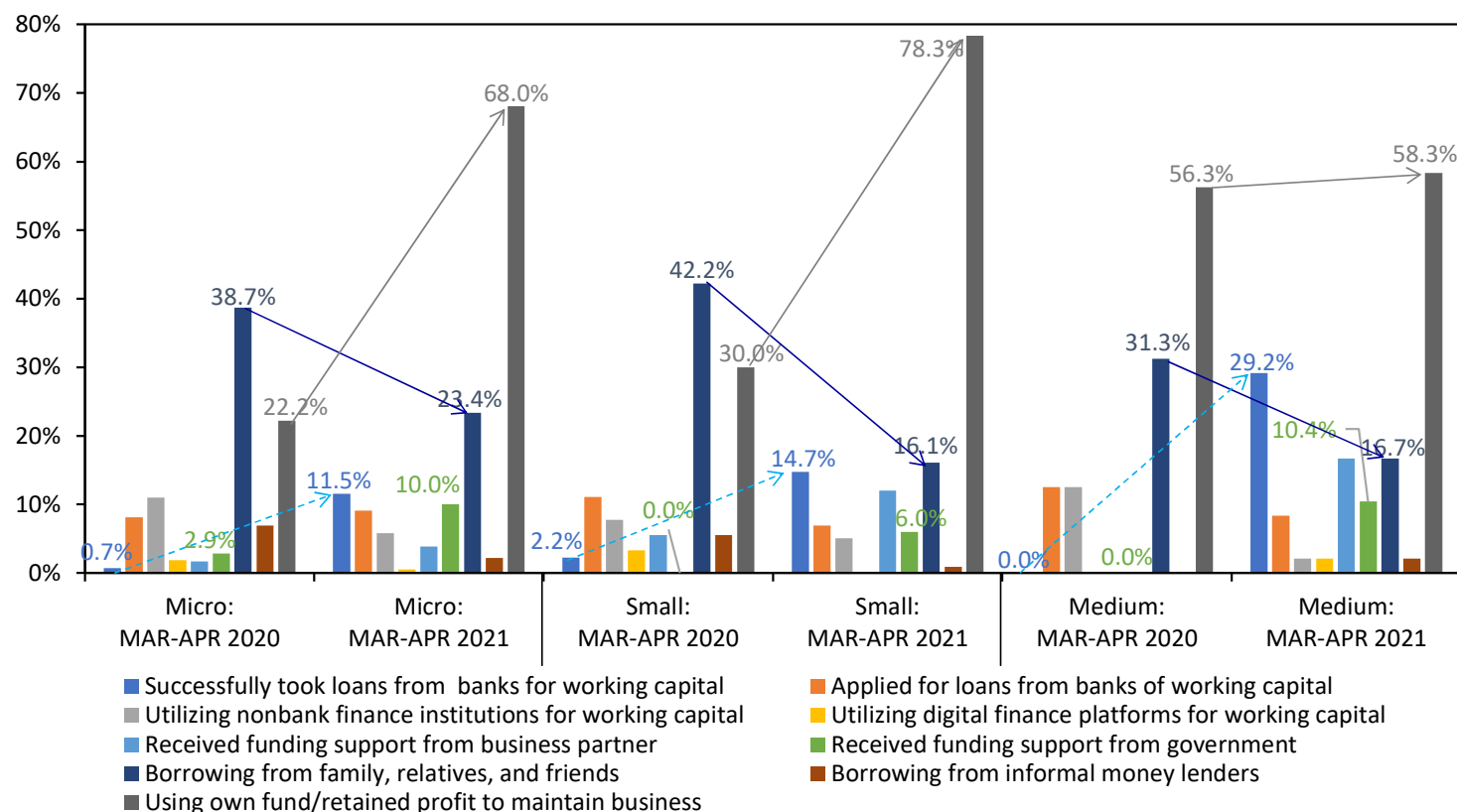
MSMEs with no cash/savings decreased sharply. While those with enough cash increased, working capital shortage in 3-6 months has risen.



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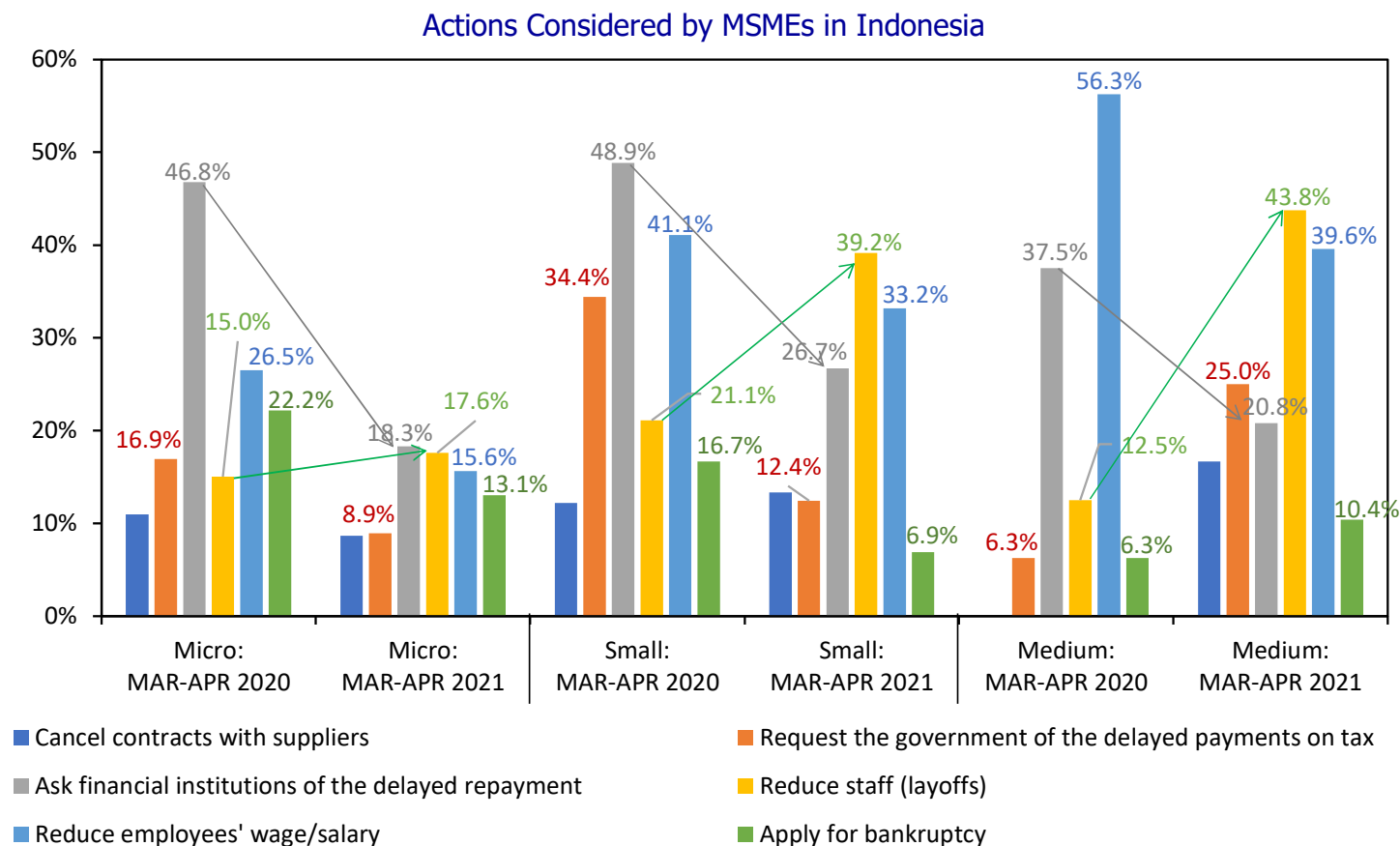
MSMEs relied on own funds and informal financing sources, but access to bank credit increased gradually.

MSME's Funding in Indonesia



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While moderately seeking deferrals of loan and tax payments, MSMEs considering further layoffs increased, given the prolonged pandemic.



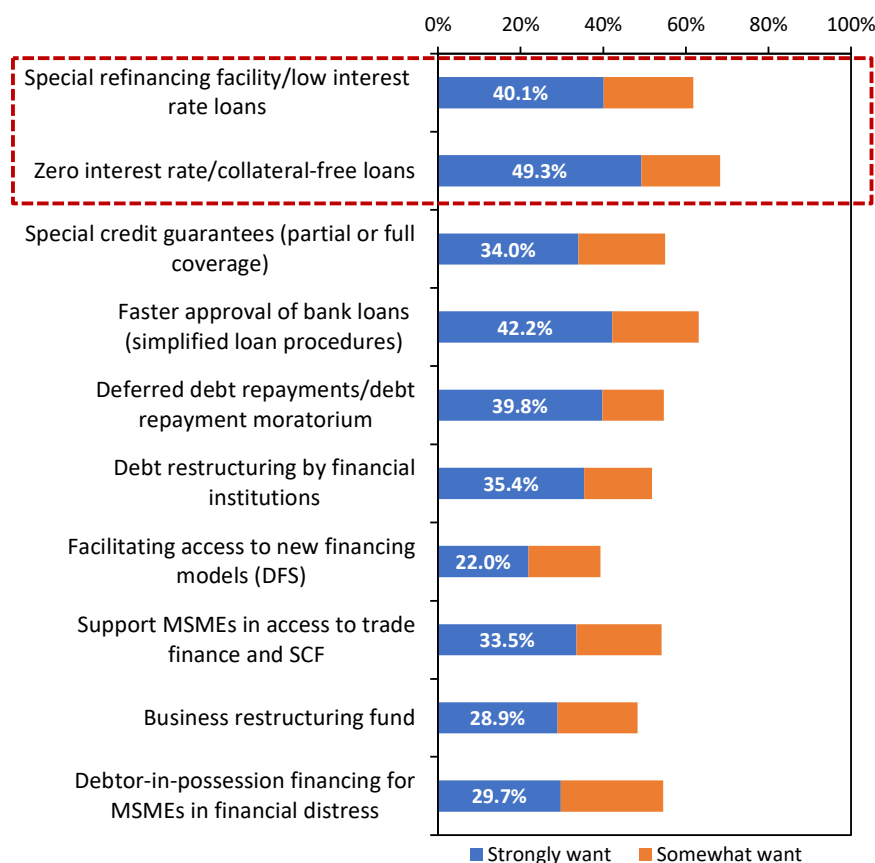
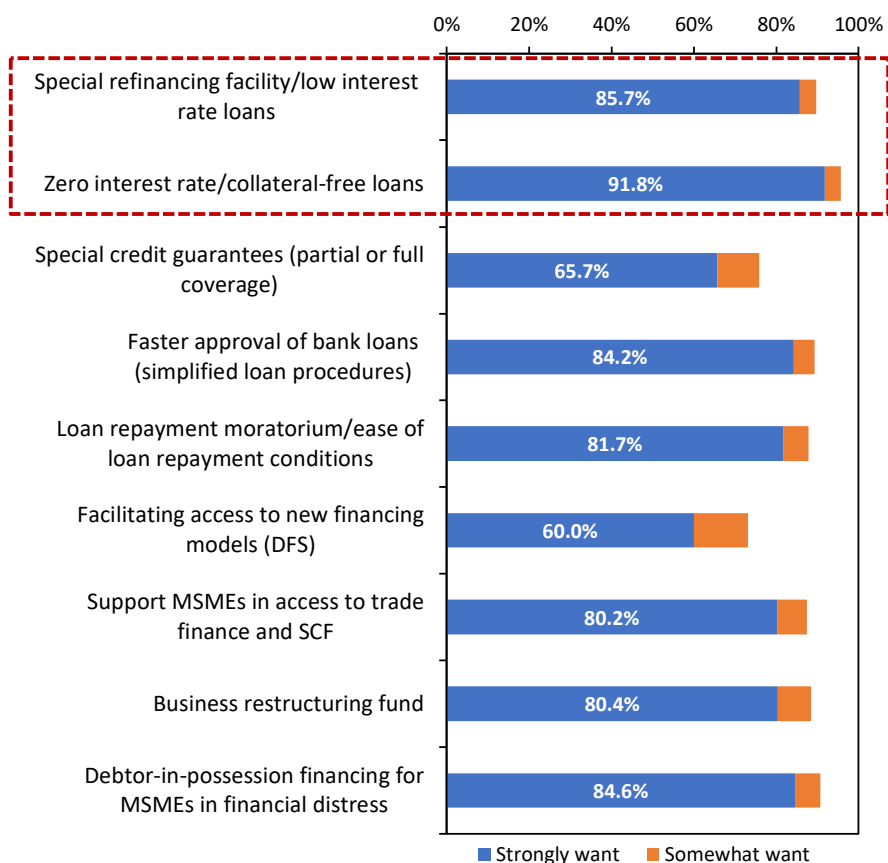
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Source: Calculated based on data from series of MSME surveys in Indonesia.

Concessional loans were highly desired by MSMEs, but willingness diminished.

March-April 2020

Financial Policy Measures Desired by MSMEs in Indonesia

March-April 2021



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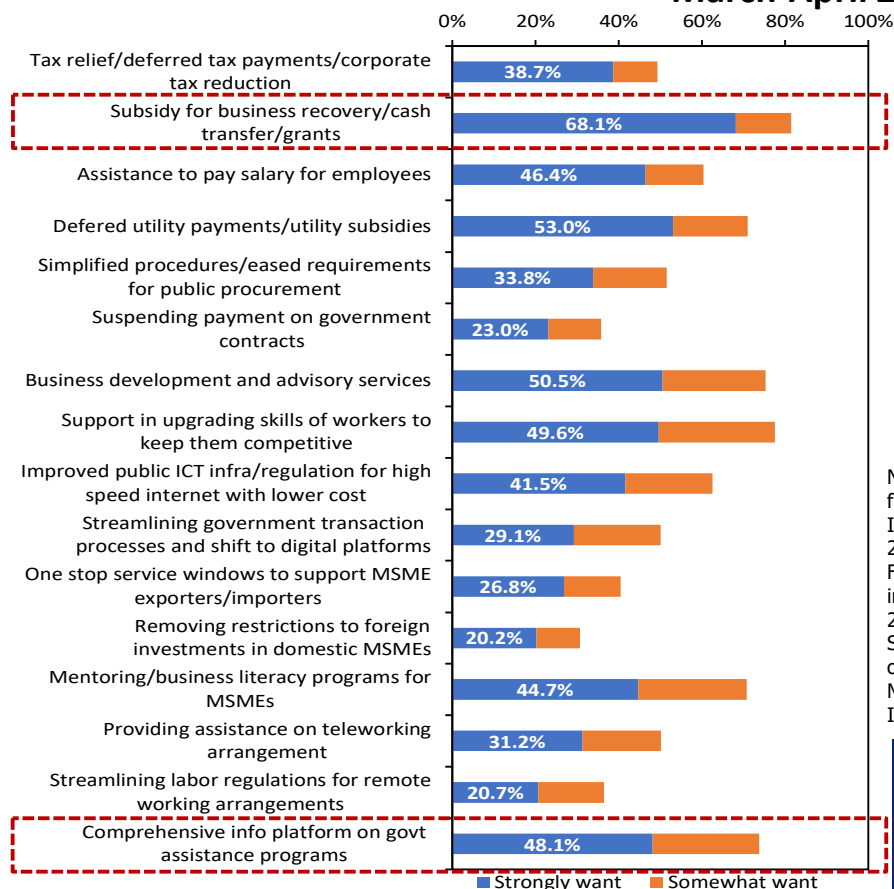
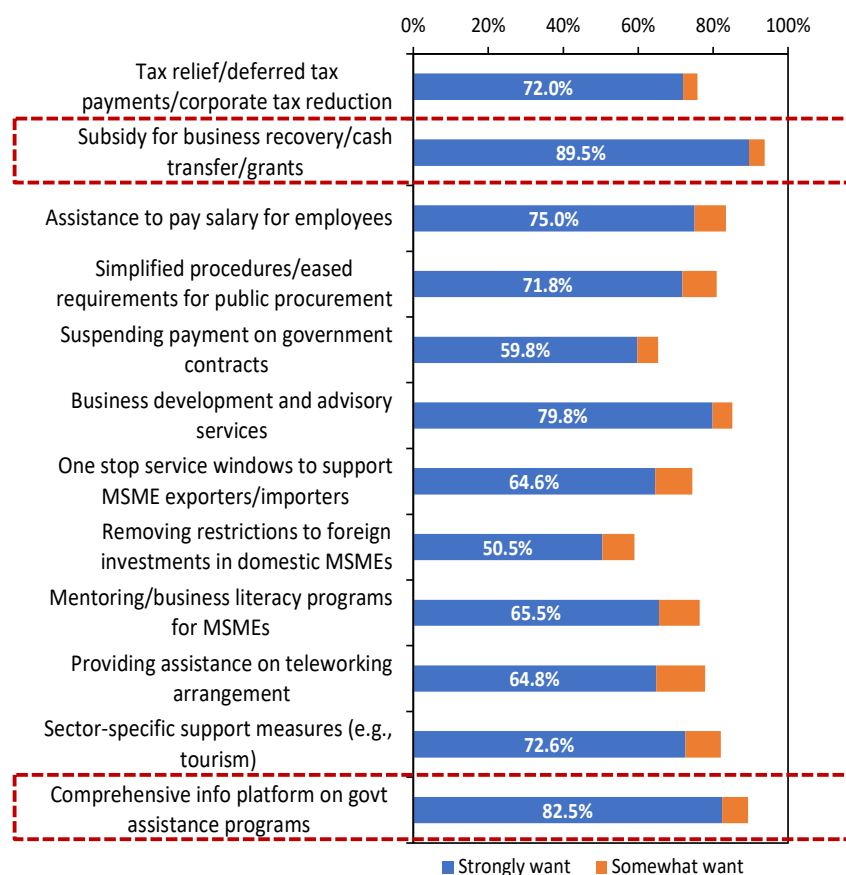


Business subsidy was the top policy measure desired. MSMEs need more information on government assistance.

March-April 2020

Nonfinancial Policy Measures Desired by MSMEs in Indonesia

March-April 2021

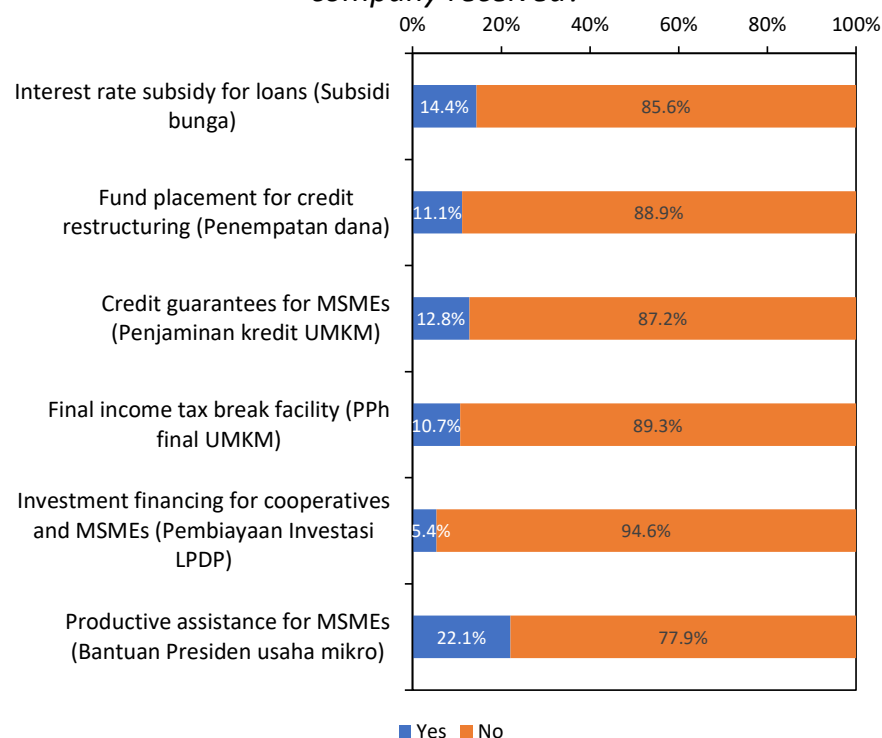


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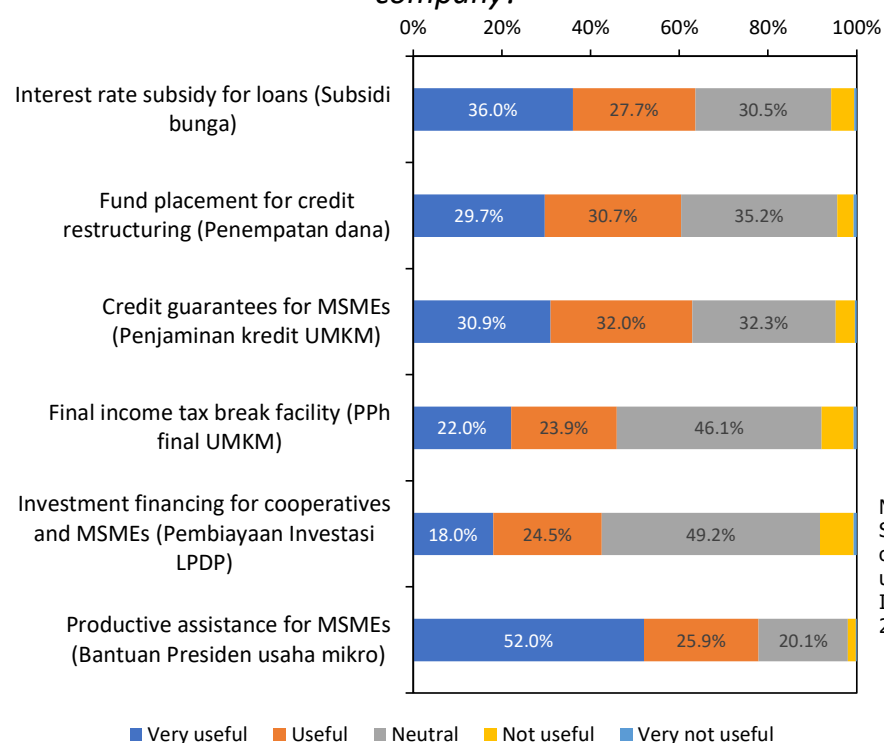


Reality: Usage of government assistance is limited. Some were recognized as useful assistance but others largely unrated.

What kind of government assistance has your company received?



How useful is government assistance to your company?

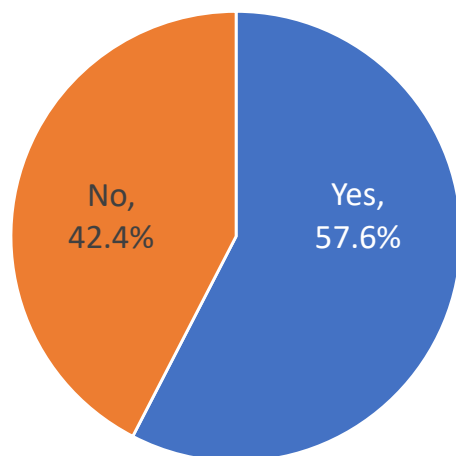


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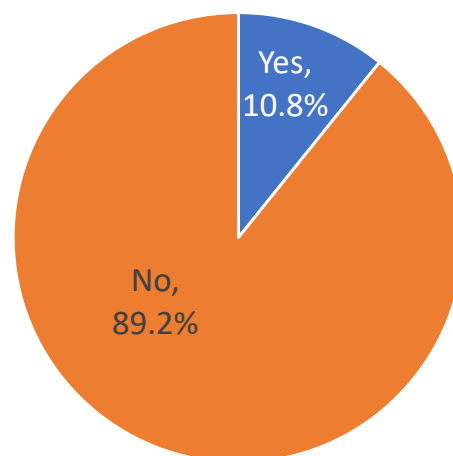


Income tax break facility: Majority of MSMEs were eligible but not utilized because they don't know the procedure..

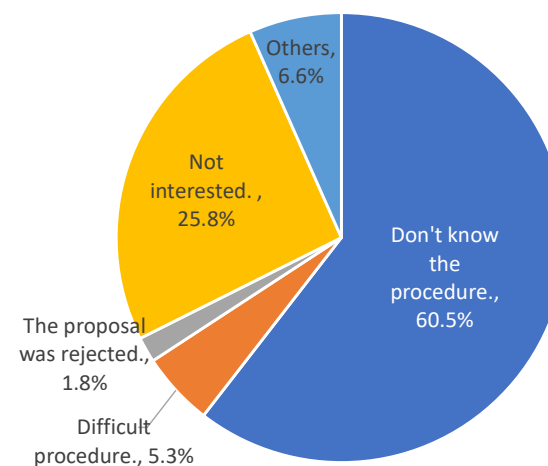
Is your company eligible for the exemption from PP23 (income tax exemption for MSMEs)?



Has your company submitted the claim for the exemption from PP23?



Why not submitted the claim for the exemption from PP23?



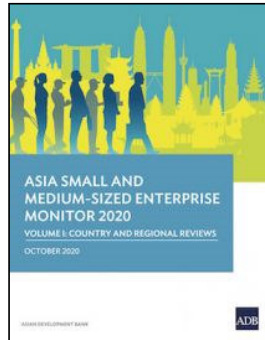
Note: 2,509 valid samples.

Source: Calculated based on data from the Follow-up MSME Survey in Indonesia (March-April 2021).

Key Findings and Policy Implications

1. Indonesian economy would gradually shift to the recovery stage toward end-2021, but with downside risks of the economy caused by the prolonged pandemic.
2. Business reopening but MSMEs continue to face sharp drop in demand and revenue.
3. Employment returns to normal with limited wage cut. WFH has gradually spread.
4. MSMEs overcame serious no cash condition but working capital shortage in 3-6 months has risen.
5. MSMEs highly desired access to concessional loans, but their willingness diminished as access to bank credit improved. Business subsidy was the top policy measure desired.
6. Usage of present government assistance is limited. MSMEs need a comprehensive information platform on government assistance programs.
7. The government needs to further elaborate phased approach and differentiated policy measures by firm size and sector, addressing more support to entrepreneurships and growth capital delivery.
8. Digital transformation of MSME business is another policy priority, addressing informal sectors.
9. A prolonged pandemic requires the government to consider optimal approach neither impeding national revenues nor increasing budgetary burden post COVID-19.

References



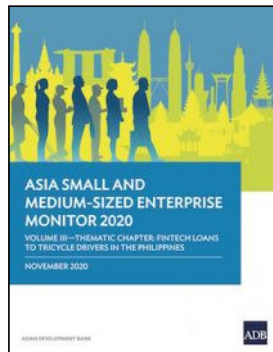
Asia SME Monitor 2020 Volume 1: Country and Regional Reviews

<https://www.adb.org/publications/asia-sme-monitor-2020-country-regional-reviews>



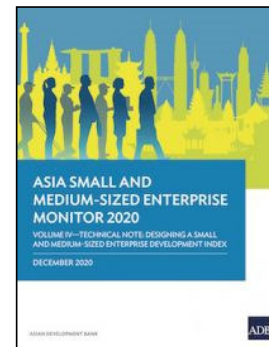
Asia SME Monitor 2020 Volume 2: COVID-19 Impact on MSMEs in Developing Asia

<https://www.adb.org/publications/asia-sme-monitor-2020-covid-19-impact-msmes>



Asia SME Monitor 2020 Volume 3: Thematic Chapter – Fintech Loans to Tricycle Drivers in the Philippines

<https://www.adb.org/publications/asia-sme-monitor-2020-fintech-loans-tricycle-drivers-philippines>



Asia SME Monitor 2020 Volume 4: Technical Note – Designing an SME Development Index

<https://www.adb.org/publications/asia-sme-monitor-2020-designing-sme-development-index>



Asia SME Monitor 2020 database (online data portal)

<https://data.adb.org/dataset/2020-adb-asia-sme-monitor-vol1-country-regional-reviews>



Thank you for your attention.

For further questions:

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