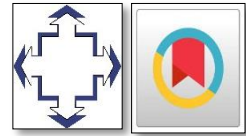


Credit Guarantee the National Economic Recovery Program (PEN) for MSMEs: A Case Study of MSMEs for Bank Pembangunan Daerah DIY



Muhammad Safar Nasir^{a,1,*}, Mahrus Lutfi A.K^{b,2}, Nur Andriyani^{c,3}, Ana Rahamawati Wibowo^{d,4}, Yolanda Oktaviani^{e,5}

^{a,b,e} Universitas Ahmad Dahlan, Kapas Street No.9, Semaki, Kec. Umbulharjo, Kota Yogyakarta, DIY 55166, Indonesia

^c Universitas Muhammadiyah Surakarta, A. Yani Street, Mendungan, Pabelan, Kec. Kartasura, Kabupaten Sukoharjo, Jawa Tengah 57169, Indonesia

^d Bagian Perencanaan dan Keuangan Sekretariat Daerah Kabupaten Bantul, Wolter Monginsidi Street No.1, Kurahan, Bantul, Kec. Bantul, Kabupaten Bantul, DIY 55711, Indonesia

¹Safar_nasir@yahoo.com*, ²mahrus.kurniawan@ep.uad.ac.id, ³nur.andriyani@ums.ac.id, ⁴anarahma03@gmail.com,

⁵yolandaoktaviani310@gmail.com

*corresponding author

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ABSTRACT

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In recent months the world has been shocked by a deadly virus, namely Coronavirus Disease 2019 or better known as the COVID-19 virus, which causes a health crisis and an economic crisis. National Economic Recovery or PEN is one of the policies to improve the country's economic conditions due to the COVID-19 pandemic which has a systemic impact. The impact affects almost all sectors, including the Micro, Small and Medium Enterprises sector. This study aims to analyze credit guarantees on MSME income in Daerah Istimewa Yogyakarta (DIY). This study uses a qualitative descriptive method, with UMKM recipients of PEN program assistance through Bank BPD DIY as respondents. The collection technique was through interviews and questionnaires with a total sample of 30 respondents and selected based on the purposive sampling method. The rate of return and the questionnaire that can be processed is 100%. From the results of interviews that have been carried out, it was concluded that in general new working capital credit guarantees help entrepreneurs in recovering MSME businesses due to being affected by COVID-19. The results of this study are in accordance with the Government's target that the assistance in credit guarantees helps micro-enterprises to increase their business income.

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1. Introduction

The implementation of social distancing, PSBB, to PPKM, the wheels of the economy are starting to move slowly. The impact is so systemic. Based on data obtained from the Ministry of Finance of the Republic of Indonesia (Kcaribu, 2020), Indonesia's economic growth has decreased dramatically. Prior to the Covid-19 virus, the government projected 2020 economic growth of 5.3%. However, after the Covid-19 virus, economic growth declined sharply. Based on data from the Central Statistics Agency (Kcaribu, 2020), Indonesia's economic growth in the first quarter contracted by 2.97. The highest contraction occurred in the consumption expenditure component of non-profit institutions serving households. In the second quarter, economic growth contracted even more by 1.26 (q-to-q), in fact it contracted even more severely by -5.32 (y-on-y). The position of economic growth in the third and fourth quarters, respectively, continued to contract by -2.03 and -2.07. In general, the economic growth throughout 2020 was -2.07, which was caused by the decline in growth of the 14 business sectors.

Based on the Survey on the Emergency Impact of the Corona Virus on Indonesian Workers conducted by the Indonesian Institute of Sciences LIPI (2020), in terms of workers, there was a wave of layoffs and a decline in income as a result of disruption of business activities in most sectors. As many as 15.6% of workers were laid off, as many as 40% of workers experienced a decrease in income. From the entrepreneur side, 39.4% of businesses stopped, 57.1% of businesses experienced a decline in production and only 3.5% were not affected. As many as 41% of entrepreneurs can only survive less than 3 months. As many as 24% of entrepreneurs are able to survive for 3-6 months, 11% of entrepreneurs are able to survive for the next 6-12 months and 24% of entrepreneurs are able to survive for more than 12 months.

The storm of monetary crisis that hit Indonesia in 1997/1998 was small and medium-scale businesses that were relatively able to survive compared to large companies. Because the majority of small-scale businesses are not too dependent on large capital or foreign loans in foreign currencies, so when there are exchange rate fluctuations, large-scale companies that generally always deal in foreign currencies are the ones most potentially affected by the crisis. However, Indonesian MSMEs have weaknesses, namely the lack of capital, both in number and in sources where the credit growth disbursed by the banking sector is only 13.6%, the lack of managerial ability and operating skills in organizing and limited marketing, in addition to things there is also unhealthy competition and economic pressure. resulting in a narrow and limited scope of business. However, all of these problems can be solved with several policies that open up opportunities for MSMEs to be able to easily access the banking industry (Suci et al., 2017). MSMEs are one of the important contributors to Indonesia's GDP, according statistical result from the Ministry of MSME sector contributed 57,8 percent besides that it could provide up to 97 percent of job opportunities, but due to the Covid-19 pandemic, the MSME sector became paralyzed, many bussines owners went bankrupt and must liquidate its operations (Dwi & Citra, 2021). According to Rosyidah, 2022 , MSMEs needs help and strategies to survive the Covid-19 pandemic.

Currently, the impact of Covid-19 has spread from the real sector to the banking sector, where the impact on the household sector is losing their jobs, decreasing income and purchasing power, as well as failing to pay credit. Then the MSMEs sector experienced a decline in business activity, business closures and unable to pay installments. The sector that was hardest hit by this major disaster was the MSME sector. The survival of MSMEs is highly dependent on the level of public consumption. The large number of workers who have been laid off causes people's income to decrease, so people are more careful in managing their spending. Furthermore, inevitably the consumption of secondary and tertiary needs decreases. What MSMEs really feel is the absorption of products, the availability of raw materials, and the distribution process (Bahtiar & Saragih, 2020), which further reduces business

income, installments start to falter, and even go out of business due to running out of capital (Rulandari et al., 2020).

The government issued a National Economic Recovery (PEN) policy, this policy is more directed at the financial recovery of MSMEs. The government has budgeted 187.21 trillion rupiah for the recovery of MSMEs with details of interest subsidies of 34.15 trillion rupiahs, tax incentives (PPH article 21 DPT, final income tax of SMEs DTP) of 28.06 trillion rupiahs, guarantees for new working capital loans of MSMEs of 125 trillion rupiah. With these various policies, it is hoped that economic conditions, especially the MSME sector, will recover. This study aims to determine the extent to which the National Economic Recovery policy has an impact on the recovery of the condition of MSMEs with a case study of MSMEs receiving PEN through BPD D.I Yogyakarta.

The government's stimulus has contributed significantly to the efforts to revitalize the national economy. In the United States there is a national economic recovery program similar to PEN. It includes a program of granting forgiveness and loans for payment of salaries and rent as well as interest on long-term debt and has succeeded in restoring the community's business conditions (Bartik et al., 2020). Shafi et al., (2020) also found that the scheme of providing low-interest credit facilities with long-term payments and extended loan repayment deadlines can help ease the business burden. This includes credit restructuring efforts. Evaluation of policy effectiveness is a type of policy evaluation that assesses whether the results and impacts of a policy program are as expected, whether the goals to be achieved can be realized, and whether the expected impacts are comparable to the efforts made by Badjuri & Yuwono, (2002) there are several factors that affect the effectiveness of policies include organizational characteristics, environment, implementers and organizational management. To apply the concept of evaluating the effectiveness of the PEN program, it is necessary to study the condition of MSMEs after receiving PEN assistance.

2. Literature Review

Micro, small and medium enterprises (MSMEs) play an important role in the economy in Indonesia. MSMEs have a proportion of 99.99% of the total business actors in Indonesia (Bank Indonesia, 2015). When the crisis hit Indonesia in 2008, MSMEs became a savior. However, in this crisis, MSMEs are the ones who feel the most impact.

Based on Law No. 20 of 2008, Micro, Small, and Medium Enterprises (MSMEs) have the following definition.

- a. Micro Enterprises are productive businesses owned by individuals and or individual business entities that meet the criteria for micro-enterprises as stipulated in the law.
- b. Small Business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled, or become a part either directly or indirectly of Medium Enterprises or Large Businesses that meet the Business criteria. Small.
- c. Medium Enterprises are productive economic businesses that stand-alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part either directly or indirectly with a Large Business or Business with total net assets or proceeds. annual sales. The law also regulates the criteria for MSMEs which can be seen in Table 1.

Table 1. MSME Criteria According to Law No. 20 of 2008

| No | Description | Criteria | |
|----|-------------------|-------------------------|--------------------------|
| | | Asset | Turnover |
| 1. | Microbusiness | up to 50 million | up to 300 million |
| 2. | Small business | >50 million-500 million | >300 million-2.5 billion |
| 3. | Medium Enterprise | >500 million-10 billion | >2.5 billion-50 billion |

Source: Law No. 20 of 2008

National Economic Recovery (PEN)

The systemic impact of Covid-19 on the economy requires the government to immediately find the best solution. National Economic Recovery or PEN is one of the policies to improve the country's economic conditions. In the Media Briefing of the National Economic Recovery Program by the Head of Fiscal Policy (2020), the government has budgeted special funds for the recovery of the business world, including:

1. Fiscal support provided to MSMEs amounted to 34.15 trillion rupiahs as a stimulus for MSME loans. The government will provide interest subsidies to 60.66 million beneficiary accounts with the following details:
 - a. A total of 27.26 trillion rupiahs will be given through BPRs, banks, and finance companies to be used for deferred installments and interest subsidies for Micro and Small Enterprises of 6% for the first 3 months and 3% for the next 3 months, and Medium Enterprises of 3% for The first 3 months and 2% for the next 3 months
 - b. 6.40 trillion rupiahs will be provided through KUR, UMI, Mekaar, and Pegadaian which will be used to postpone principal installments and interest subsidies for KUR, UMi, Mekaar, and pawnshops for 6 months.
 - c. As much as 0.49 trillion rupiahs will be given through Online, Operations, Farmers, LPDB, LPMUKP, UMKM Pemda used for relaxation given a 6% interest subsidy for 6 months.
2. Provision of tax incentives through Article 21 DPT PPh, Final PPh for DTP SMEs for 28.06 trillion rupiah
3. Providing guarantees for new working capital loans for MSMEs amounting to 125 trillion rupiahs.

Purwanto (2020) explained in detail that these policies were implemented in the form of restructuring MSME loans as well as with the postponement of principal and subsidies. This policy gets a legal umbrella from the Regulation of the Minister of Finance Number 65/PMK.05/2020 concerning Procedures for Providing Interest Subsidies/Margin Subsidies for Credit/Financing for Micro, Small, and Medium Enterprises in the Framework of Supporting the Implementation of the National Economic Recovery Program which was later updated with Number 85/ PMK.05/2020. Policies for MSMEs are also carried out through delaying principal installments and providing interest subsidies for micro and small business loans (credit up to Rp. 500 million) through BPR, banks, and finance companies, as well as People's Business Credit (KUR) of 6% for 3 months. first and 3% during the second 3 months. In addition, the postponement of principal installments and the provision of interest subsidies for medium-sized business loans (Rp 500 million to Rp 10 billion) through rural banks, banks and finance companies is 3% for the first 3 months and 2% for the second 3 months.

In addition, the placement of funds to guarantee credit for MSMEs is also important. The government sets several criteria for partner commercial banks to be given placements of funds. to accelerate lending, particularly for MSMEs and labor-intensive industries in the context of accelerating the economic recovery of the lower class. This policy is regulated in the Regulation of the Minister of Finance Number 70/PMK.05/2020 concerning Placement of State Money in Commercial Banks in the context of Accelerating PEN, which was updated with PMK Number 104/PMK.05/2020.

Credit Guarantee

Nurunnabi (2020), stated in his research that government stimulus contributed greatly to small and medium-sized businesses in Saudi Arabia during the pandemic. The Government of Indonesia has provided various stimuli to recover the national economy or PEN. A similar program is also carried out in North America under the name CARES. The program consists of grants and loans for payment of salaries and rent as well as interest on long-term debt (Bartik et al., 2020). Marlinah (2021) researched the implementation of the National Economic Recovery (PEN) program, particularly the MSME tax incentives. In his research, it is stated that the purpose of providing MSME tax incentives is so that beneficiaries can increase their business and support national economic recovery.

Restructuring and credit guarantee is one part of the program. The government can offer loan schemes to small and medium-sized businesses affected by the pandemic. The scheme can be in the form of providing low interest with long-term payments and extending the loan repayment deadline (Shafi et al., 2020). Low-interest facilities must be balanced with the ease of obtaining loans. Bartik et al., (2020) found that many businesses were reluctant to apply for loans because they were worried about complex administration, complexity, and business feasibility. The government has developed financing schemes to help these businesses survive, but it is not enough to get their cash flows back to normal (Omar & Morales, 2021).

The COVID-19 pandemic has had a negative impact on the economy, especially for small and medium-sized businesses in developing countries where they have limited resources and a vulnerable supply chain both between business to business and between businesses to customers (Omar & Morales, 2021). Dai et al. (2020), found that 80% of MSMEs in China were closed at the start of the pandemic, which in turn resulted in a decline in production, even 34% of companies had to be permanently closed. Data from 184 Pakistani MSMEs shows that most MSMEs are facing several problems such as financial, supply chain disruptions, decreased demand, decreased sales and profits. In addition, more than 83% of companies have no plans to deal with such situations. Furthermore, more than two-thirds of the participating companies reported that they could not survive if this situation persisted for more than two months. Policy recommendations are very helpful for MSMEs through the ongoing crisis (Shafi et al., 2020).

The decrease in purchasing power encourages companies to reduce production costs, one of which is by reducing labor or layoffs. In the end, there are difficulties in finding jobs, difficulties in meeting the needs of daily life, and also not having income to meet daily needs (Hanoatubun, 2016). Covid-19 also has an impact on SMEs in Europe, according to research by Juergensen et al. (2020), the short-term impact that most SMEs face logistical challenges other than demand, although the severity varies between companies and industries, while in the long term there will be different opportunities and challenges for the types of SMEs. Policy intervention is very important for SMEs. The policy mix needs to shift from an initial focus on the viability of SMEs towards a more structural and long-term approach based on the promotion and growth of SMEs through innovation, internationalization, and networking.

It does not stop here, the decline in people's incomes, including large and small business actors, has also affected the banking sector. It is undeniable, economic pressures make it difficult for business actors to fulfill their obligations to pay installments. As a result, the possibility of bad credit is inevitable. *Capacity* is a description of the debtor's ability to fulfill its obligations, the ability to pay is reflected in its business activities and its ability to manage the business. The debtor's inability to manage the business will affect the income received and result in substandard credit payments (Ulfa, 2018).

Likewise, the public's interest in making loans has also decreased for fear of not being able to repay. Likewise, banks are also worried about providing loans because prospective debtors do not meet the criteria. We all know that the *capital factor* is one of the criteria for lending. *Capital* can be known from the condition of the debtor's wealth or finances. If the debtor does not have sufficient capital, bad

credit may occur (Ulfa, 2018). These various conditions are experienced by business actors, if they do not have financial adequacy, many companies will go out of business. Research conducted by Gourichas et al. (2020), related to the impact of the COVID-19 crisis on the failure of small and medium enterprises (SMEs) in seventeen countries showed that if there is no intervention and there is disruption of access to market credit then the business failure rate for SMEs is almost doubled, increasing 8.8 percentage points in 2020. Heterogeneity has a significant effect on the failure rate of SMEs both across sectors and across countries based on company profitability and cash holdings. In addition to the expected supply and demand shocks, business failures will also cause a large number of jobs at risk of around 3.1 percent of jobs. Although the effect was significantly large, it had little impact on the financial sector, with a 0.75 percentage point decline in the CET1 capital ratio on average. Therefore, it is necessary to consider several policy interventions and measure cost-effectiveness in supporting SMEs to be right on target.

The results of the analysis conducted by Kang et al. (2008) that the frequency of credit guarantees allows guarantee companies to achieve good performance in general, credit guarantees fulfill part of the objectives of alleviating the difficulties of SMEs in obtaining finance and stabilizing employment. The impact of public credit guarantees on SMEs can increase credit availability and reduce borrowing costs, without compromising the financial sustainability of SMEs. Research conducted by Liang et al. (2017) shows that South Korea's credit guarantee helps increase efficiency. The country's comprehensive credit guarantee system not only helps the lack of collateral for SMEs to obtain loans but also increases loan recovery rates and effectively reduces bank cost inefficiencies. Two new guarantee contracts namely *option-for-guarantee swaps (OGSs)* and *equity-for-guarantee swaps (EGSs)* in China's credit guarantee market for SMEs show that EGS financing effectively reduces asset substitution incentives, while OGS reduces accumulated debt (Al-Hadi & Al-Abri, 2021).

Government-backed credit guarantees in Taizhou, China show that bank credit does not encourage firms to generate more economic and social benefits, but that government-backed credit guarantee funds are conducive to firms that generate multiple economic benefits (Yang et al., 2021). Research by Baiti, (2021) concluded that the effectiveness of the government guarantee program to facilitate MSMEs in obtaining financing sources during the COVID-19 pandemic is maximal, but its effectiveness only applies to MSME actors who are already *bankable*. MSME actors and 98% MSME actors are still in the informal sector and are not yet *bankable* so they cannot feel the benefits of this program.

MSME Income

The calculation of MSME profit or loss can be determined by operating income. Revenue is the total value of sales that have been deducted by costs incurred. Income can also be used as an indicator of business success. One of the goals of the business is to get the maximum profit. Profit or profit can be calculated from net receipts minus the total costs incurred. In the research of Omri et al., (2015) the indicator of business success is by measuring the average profit per month. Sales growth, gross profit, capital growth are indicators of success (Abdulwahab & Al-damen, 2015). Several indicators can be used to measure the performance of MSMEs, namely profit growth, number of customers, sales, total assets, and additional workforce each year (Munizu, 2010).

3. Research Method

This study refers to Government Regulation Number 43 of 2020 concerning National Economic Recovery to support state policies related to handling COVID-19 for MSMEs. The sampling technique in this study uses a non-probability sampling method with a purposive sampling technique, namely a sampling technique by determining certain criteria to be used as samples (Sugiono, 2010). The criteria

for the sample of this study were all Micro, Small and Medium Enterprises that received assistance for the National Economic Recovery of D.I Yogyakarta who were registered as BPD DIY customers. The type and source of research data is an important factor that becomes a consideration in determining the method of data collection. The data used in this study is primary data. This research uses descriptive qualitative research method.

Evaluation of effectiveness is one type of policy evaluation that assesses whether the results and impacts of a policy program are as expected (Badjuri & Yuwono, 2002). The impact of the PEN program can be seen from several things, including sales turnover, sales profit and labor returns. Researchers used primary data by using surveys through direct interviews using questionnaires to MSMEs who received assistance from the Economic Recovery Program through BPD DIY.

In this study, a qualitative descriptive method was used as an analytical tool. Qualitative descriptive method is an analytical method that aims to understand the phenomenon of what is experienced by the research object used. In this case, the object of research used is the SME actors who receive PEN assistance. This analysis is done by describing what is felt by the object of research such as behavior, motivation, perception, and others in detail and depth. While the data used is primary data. The data collection technique of this research used the interview method.

4. Results and Discussion

Respondent Description

Based on the research questionnaire, it was shown that of the 30 micro-entrepreneurs receiving PEN, 9 were male and 21 were female. When viewed from the age of the respondents, it shows that there are 5 respondents aged 30-40 years, 13 respondents are 41-50 years old, 11 respondents have an age range of 51-60 years and 2 respondents have an age of 61-70 years. The youngest age in this study was 33 years old and the oldest was 63 years old. Based on these data, in general, it can be concluded that most of the respondents are in the productive age in Indonesia, which is a maximum age of 63 years. The table showing the distribution of sex and age can be seen in Table 2.

Table 2. Characteristics of Respondents by Gender and Age

| Respondent Characteristics | Frequency | Total |
|----------------------------|-----------------|----------|
| Gender | Man | 9 |
| | Woman | 21 |
| Age | 30-40 years old | 5 |
| | 41-50 years old | 13 |
| | 51-60 years old | 11 |
| | 61-70 years old | 2 |
| | | Min = 33 |
| | | Max = 63 |

Source: Primary data (processed)

The latest education level of MSME business actors receiving PEN is quite good. This can be seen in Figure 3 which shows that there is only one micro-entrepreneur who did not take formal education. Based on data from 30 respondents, the majority of respondents had an equivalent high school education level, namely 19 respondents, then 7 respondents had an equivalent junior high school education, and 2 respondents had an elementary education level and 1 respondent was a diploma graduate. The diagram showing the percentage of the respondent's last education level can be seen in Figure 1.

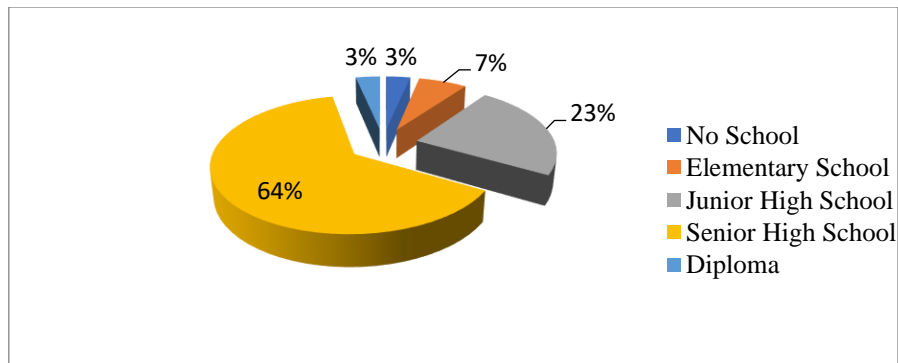


Figure 1. Data on Education Level of Respondents
Source: Primary data (processed)

Based on the data obtained from the questionnaire, the majority of MSME business actors receiving PEN have a trading business type, namely as many as 22 respondents, then 5 respondents have a service business type and 3 respondents are breeders. The diagram showing the percentage distribution of business types of MSME business actors receiving PEN can be seen in Figure 2.

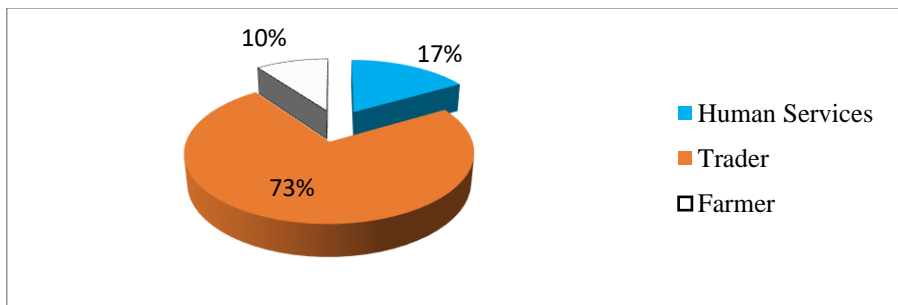


Figure 2. Types of UMKM Recipients of PEN
Source: Primary data (processed)

The initial capital owned by MSME business actors receiving PEN consists of two, namely using their capital and loans. When viewed from the data obtained, it shows that the majority of MSME entrepreneurs receiving PEN used their capital as initial capital, namely 23 respondents, while 7 respondents used initial capital by borrowing from banks.

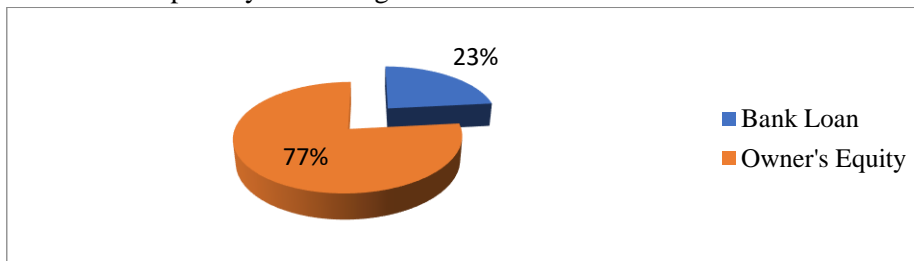


Figure 3. Initial Capital Ownership
Source: Primary data (processed)

The COVID-19 pandemic has had an impact on the economy, affecting all sectors, including the MSME sector. Based on the results of the questionnaire data, it shows that out of 30 respondents only 7 percent or 2 people experienced an increase in their business, 27 percent or 8 respondents with stable business conditions, even 10 percent or 3 respondents had to close or stop running their business. The majority of MSME business actors

PEN recipients, namely 56 percent or 17 respondents experienced declining business conditions.

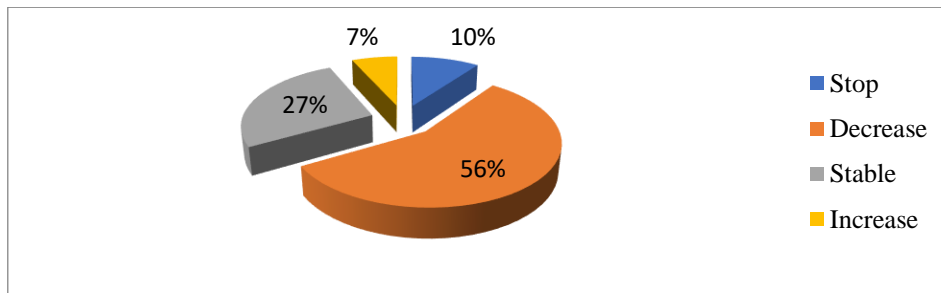


Figure 4. Business Conditions Impact of Covid-19
Source: Primary data (processed)

The impact of COVID-19 has resulted in the majority of MSME business actors experiencing declining business conditions and experiencing financial problems. Based on the data from the questionnaire, it shows that the majority of MSME business actors, namely 53 percent or 16 respondents, have borrowed money and 47 percent or 14 respondents are still able to survive with their capital to maintain their business.

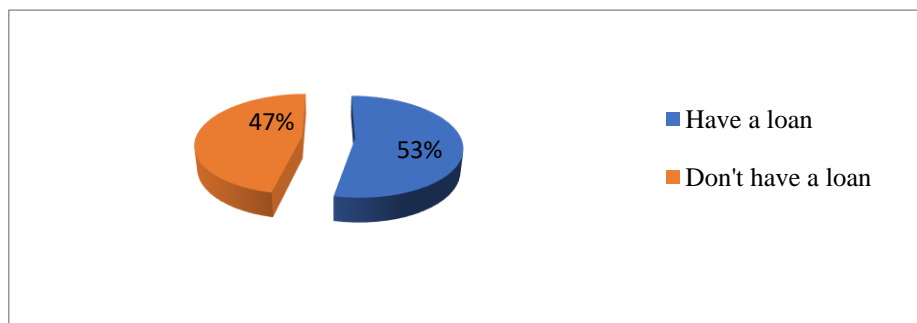


Figure 5. Financial Conditions Due to Covid-19
Source: Primary data (processed)

Results Discussion

Based on the results of surveys and interviews with 30 respondents spread across Sleman, Bantul, Gunung Kidul, and Yogyakarta regencies, 29 respondents received credit assistance and 1 respondent received interest assistance. From the results of interviews conducted there are various responses from respondents.

One of the recipients of PEN assistance is Mrs. Evi Arsanti. The business owned is trading market snacks. When the initial pandemic appeared in February-March 2020, this business was closed completely. This was due to social restrictions which caused the closure of many places including the market where he peddled his wares. This business was closed for about 1 year.

Then in December 2020, Mrs. Evi Arsanti received assistance in the form of credit from the PEN program. From the credit, he was able to restart his business. He began to produce and entrusted his wares back to the markets around his house, namely in the Godean area. With the resumption of the business that had stopped, he was able to supplement the family's income which had previously been reduced.

From the results of interviews conducted, on the whole, Mrs. Evi felt helped by the credit assistance provided. He felt that unsecured credit assistance was very helpful in obtaining capital to restart a business that had closed. He hopes that this kind of credit assistance can be provided on an ongoing basis so that it can be a back-up for small traders like him. The second respondent is Mrs. Tati

Dwi Astuti. In the interview he conducted, he mentioned that PEN assistance is only sufficient to purchase some production needs and is still very far from covering the overall production needs.

"Yesterday I bought all the money in packages. And to be honest, it doesn't really help the condition of your sale, Ms. Because the pandemic is rampant, the community's economy is difficult."

With the assistance of 2.4 million, it is still not enough to help increase Mrs. Tati's sales. As a business owner, salak processed as a souvenir named "Ranum Salacca", makes his products less ogled by his consumers. Consumers prefer to buy their own basic needs rather than buying Ranum Salacca products.

"They prefer to buy rice over my products. Materials are easily available, production needs are ready. But the consumers who disappeared, sis."

Even so, this pandemic condition did not make Mrs. Tati sell her assets. With this assistance, Mrs. Tati hopes that in the future a larger amount of assistance will be given.

"To sell assets I have never done anything except to upgrade to a better one. My hope as a business actor might be that the amount is even higher because frankly, if it's half-hearted, it won't have much effect on the progress of the business, sis."

Another respondent named Mr. Aris also felt the same thing. Mr. Aris is the owner of a food stall business that is open every day from morning until noon. Many consumers come to his food stall to buy the breakfast menu. Before the pandemic, the turnover earned in just two days could reach IDR 2.5 million.

After the pandemic, Mr. Aris' business income has decreased. The implementation of social restrictions due to the ongoing pandemic has caused the number of consumers to visit to decrease. With the help of PEN, Mr. Aris felt quite helped. However, Mr. Aris still feels that the amount of PEN assistance of Rp. 2.4 million is still relatively small. Especially when compared to the turnover of food stalls which previously could reach Rp 2.5 million. Pak Aris hopes that the assistance provided will be in a larger amount so that the benefits for business actors can be felt.

New working capital credit guarantee is one of several National Economic Recovery (PEN) programs. The results of this study are generally in accordance with what is expected by the Government. The existence of credit assistance helps the community in restoring businesses that were reduced or even closed yesterday. The advantages of assistance in the form of no need for collateral and burdensome interest make it easy for people to get capital. This is due to the large number of micro entrepreneurs who do not have assets that can be pledged as collateral. The capital factor is one of the criteria for lending. Capital can be known from the condition of the debtor's wealth or finances. If the debtor does not have sufficient capital, it is possible that bad loans will occur (Ulfa, 2018). These various conditions are experienced by business actors, who if they do not have financial adequacy, many companies will go out of business.

This study is in line with research conducted by Liang et al., (2017) showing that South Korean credit guarantees help increase efficiency. The comprehensive state credit guarantee system not only helps the lack of collateral for SMEs to obtain loans but also increases the loan recovery rate and effectively reduces bank cost inefficiencies. This is also supported by Yang et al., (2021), government-supported credit guarantees in Taizhou, China show that bank credit does not encourage companies to generate more economic and social benefits, but government-backed credit guarantee funds are conducive to companies that generate many economic benefits. Nurunnabi, (2020) stated in his research that the government stimulus contributed greatly to small and medium businesses in Saudi Arabia amid the pandemic. Research by Baiti, (2021) also concludes that the effectiveness of the government guarantee program to make it easier for MSMEs to obtain financing sources in the midst of the COVID-19 pandemic has been maximized, but its effectiveness only applies to MSME actors who are already bankable.

However, from the results obtained, of course there are shortcomings in the assistance provided. From the results of interviews conducted by MSME entrepreneurs, they generally feel that the assistance provided has helped but not as a whole. The amount of assistance is considered too small when compared to the required business capital. This is related to the existence of a range of capital gaps among business actors even though they are both in the category of micro entrepreneurs. For some entrepreneurs the assistance was considered sufficient, while for some other entrepreneurs the amount of assistance was still far from the previous capital.

5. Conclusion

This study aims to determine the effect of the PEN program credit guarantee on MSME income during the COVID-19 pandemic. New working capital credit guarantee is one of several National Economic Recovery (PEN) programs. The results of the study show that in general, new working capital credit guarantees help entrepreneurs in recovering MSME businesses due to being affected by COVID-19. This is in line with what the Government expects that the assistance in credit guarantees will help micro-entrepreneurs to recover their businesses. Credit guarantee assistance is important for MSMEs, therefore it is hoped that this credit guarantee program will continue to exist for MSMEs both during the COVID-19 pandemic and after the pandemic and can be accessed by MSMEs that have not been accessed by banks. In addition, it is hoped that the Government can re-evaluate the assistance distributed, mainly in the amount of assistance for each recipient. This is related to the differences in the business scale of micro entrepreneurs. Assistance with the appropriate amount can certainly be more efficient in helping each entrepreneur in returning businesses that were affected by the previous pandemic. The results of this study can be used as a reference for policy making to improve economic conditions, especially MSMEs due to the COVID-19 pandemic which has a systemic impact.

This study has limitations, namely that the sample is only MSME recipients of PEN assistance in the form of credit guarantees through BPD DIY. Therefore, it is hoped that further research will be able to increase the number of samples and have a more in-depth discussion.

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