



# Identification And Analysis Of Factors Affecting Msme Income

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**ABSTRACT:** This study was conducted to find out what factors influenced MSME income during the Covid-19 pandemic. This study uses a qualitative explorative type method with an inductive approach. Data analysis techniques in this study were processed using data coding. The population in this study are MSME actors. Respondents in this study were determined using technical purposive sampling. The results of this study found several factors including; (1) decrease in buyers, (2) social restrictions or PSBB, (3) innovation, (4) strategy, (5) raw material prices.

**KEYWORDS:** Income, MSMEs, Pandemic Covid 19

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## I. INTRODUCTION

Covid-19 is a disease that is easily transmitted through physical and non-physical contact anytime and anywhere. The spread of COVID-19 spreads to middle, upper or lower class people regardless of caste. The market is a place where the spread of Covid-19 occurs, because it is a place where many people congregate and where buying and selling transactions occur which involve physical touch. Whereas market activities are things that are able to supply the basic needs of society. If marketing efforts are not made, the products produced by manufacturers will not reach the customers. One of the people involved in marketing efforts is the trader. In marketing activities, an entrepreneur will be affluent and have a job if the entrepreneur generates income from that business.

In Indonesia, Micro, Small and Medium Enterprises are the main thing in the country's economic development efforts. This is because MSMEs in Indonesia have the potential to become the backbone of the economy, reduce income inequality, alleviate poverty in society, and achieve income equality. The link between business actors and MSMEs in Indonesia can absorb labor. The development of an MSME can help the structural economy, namely increasing the resilience of the national economy and strengthening the regional economy (Kurniawan, 2011).

An MSME owner must improve his entrepreneurial abilities because being a talented individual requires education and training. Business success demands more than hard work; every business owner must master the basics of entrepreneurship. Entrepreneurial skills are activities or knowledge that can assist in the development and operation of a successful company (Linan & Chen, 2009). Lack of entrepreneurial skills can make it difficult for someone to facilitate their business. As a result, entrepreneurial qualities, such as enthusiasm and ability to collect resources that will quickly improve business performance, are one of the most important factors in the success of MSMEs, especially in dealing with the Covid-19 pandemic (Muslim & Alhassan, 2020).

Capital is a form of input (component of production) that has a considerable impact on income levels. Capital problems in a company have a strong relationship with the success or failure of a newly established company. Various factors, including capital affect MSME income. In all economic activities, capital is required for production operations. Even in today's world, companies are trying to increase their productivity by investing or investing in order to compete with other entrepreneurs (Sukirno, 2005). The most important aspect of launching a business is capital, MSME entrepreneurs usually use their own money, with some using loan capital. Each capital is used in a different way, so capital can limit business actors in expanding their business to a wider extent.

Apart from capital, other factors such as labor have an impact or influence. In the theory of factors of production, the amount of labor determines how much output/production is then associated with the results obtained. The country has a diverse workforce, and as the number of employees continues to grow, so too will the income of Micro, Small and Medium Enterprises increase to the maximum.

In addition, wages are proportional to the number of hours worked. The amount of time spent trading or running a business serving consumers each day is referred to as hours worked. Entrepreneurs currently have limited time to sell due to the Covid-19 pandemic, resulting in a decrease in the number of buyers which has an impact on sales revenue. An entrepreneur needs more than just capital to run his business and increase his income; it also requires various additional resources.

The entrepreneur's business location has an impact on his income. As a result, the number of buyers each consumer attracts differs based on their location. Location is a place for the company to carry out activities to produce goods or services. A strategic location is very influential in the success of a business, where determining a business is an important part for entrepreneurs. A strategic location/place is a place that is easy to find or reach by buyers.

Based on the explanation above, the formulation of the problem in this study is what factors affect MSME income during the Covid-19 pandemic. The purpose of this study is to find out in more detail the factors that affect MSME income in the era of Covid-19.

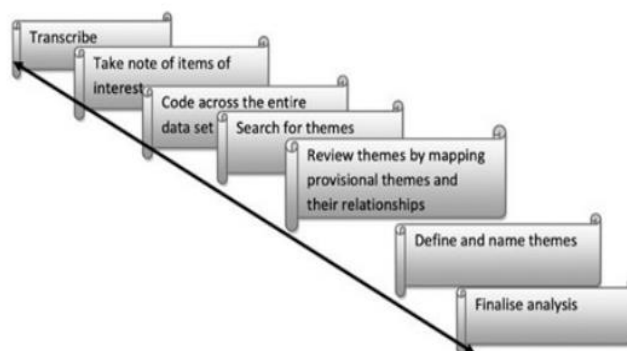
## II. RESEARCH METHODS

This study uses a qualitative explorative type method with an inductive approach. Arikunto (2006) states that explorative research aims to find out more deeply the causes that influence the occurrence of something. This study was conducted to obtain information regarding the factors that influence the literacy of elementary school students. By using exploratory qualitative methods and using an inductive approach, a situation consisting of place, behavior, and activity will be seen.

Data analysis techniques in this study were processed using data coding. The population in this study are Micro, Small and Medium Enterprises (MSMEs). Respondents in this study were determined using technical purposive sampling (Sugiyono, 2015: 117). The criteria for respondents included having a business in the MSME field and still running the business. The researcher will ask open-ended questions that are directly asked to the source. Prior to conducting the research, the researcher had obtained consent from the informant to conduct the research. Following are some open questions asked to the resource person.

No.	Open Questions
1	What are your obstacles during the pandemic?
2	Did your income increase during the pandemic or not?
3	Were there any strategies or innovations implemented during the pandemic?
4	Do you use technology (social media) to market products?
5	Is it important for a business to have a strategy in doing marketing?
6	Does the increase in production raw materials affect your income?

By using exploratory qualitative methods accompanied by an inductive approach in this study using thematic analysis. Thematic analysis aims to identify themes, namely something that is considered unique from a data and by using identified themes can find answers to a problem, especially those related to the nine questions in the interview guide. For this reason, the stages of the thematic analysis are listed in Figure 1 below.



### III. RESULTS AND DISCUSSION

Based on the results of interviews conducted with informants, there were several answers given, a summary of the interview results can be seen in Table 2 below.

NO	QUESTION	INFORMANT ANSWER
1	What are your obstacles during the pandemic?	The obstacle during the Covid-19 pandemic was the decline in people's purchasing power which resulted in a decrease in income due to a decrease in buyers. The decrease in capital income was also an obstacle because it experienced several losses.
2	Did your income increase during the pandemic or not?	During this pandemic, income decreased, because people were laid off and the implementation of the PSBB reduced people's purchasing power.
3	Were there any strategies or innovations implemented during the pandemic?	I made an innovation, changing the machine I use to be more sophisticated
4	Do you use technology (social media) to market products?	For now not yet
5	Is it important for a business to have a strategy in doing marketing?	Yes, of course, I also implemented several strategies so as to attract buyers
6	Does the increase in production raw materials affect your income?	Yes, that's right, usually there is an increase in the price of raw materials, so we are forced to buy, which of course has an impact on my income

Next, coding the informants' answers regarding the factors that affect MSME income. For more details, it can be seen in Table 3 below.

Answer Transcript	verbatim	Code (Coding) Technical	Compaction of Facts	Substantive Coding
<b>The decline in people's purchasing power resulting in decreased income due to reduced buyers</b>	Less purchasing power due to less buyers	4.N.1	Lack of buyers	4.N1-A
<b>During this pandemic, income decreased, because people were laid off and the implementation of the PSBB reduced people's purchasing power</b>	Income decreased because people were laid off and PSBB	4.N.2	People are home and PSBB	4.N2-B
<b>I made an innovation, changing the machine I use to be more sophisticated</b>	Make an innovation	4.N.3	Innovation	4.N3-C
<b>Yes, of course, I also implemented several strategies so as to attract buyers</b>	Implement multiple strategies	4.N.4	Strategy	4.N4-D
<b>Yes, that's right, the increase in raw material prices, of course, has an impact on my income</b>	The increase in raw material prices had an impact on revenue	4.N.5	Raw material prices	4.N5-E

#### **The Effect of Decreasing Buyers on MSME Income**

The impact of the weakening world economy is starting to be felt at home with the rapid spread of Covid-19. Many MSME actors have laid off or even temporarily closed their businesses. As a result of the Covid-19 pandemic, people's habits in various activities including shopping have changed. The occurrence of layoffs and business closures was due to a decrease in buyers so that it had an impact on MSME income. Based on the results of the studies that have been carried out, it was found that one of the factors affecting MSME income was a decrease in buyers. This study is in line with a statement from Gina Nurushohifa Khaeruddin (2020) who stated that during a pandemic, the income of MSMEs was losing consumers. Work from home or better known as WFH has a negative effect on decreasing sales turnover.

#### **The Effect of Social Restrictions (PSBB) on MSME Income**

Based on the results of the studies that have been conducted, it was found that one of the factors affecting MSME income is social restrictions (PSBB). The results of this study are also in line with the findings of Gina Nurushohifa Khaeruddin (2020) who argued that PSBB was a factor in reducing MSME income. During the pandemic, areas that were categorized as areas with red zone status, the government carried out a policy, namely Large-Scale Regional Restrictions (PSBB). The Indonesian government implemented a social distancing policy

as well as the Large-Scale Social Restrictions (PSBB) program in order to reduce the impact of the economic crisis (Nasution 2020; kickbush, 2020). According to the Centers for Disease Control and Prevention (CDC), in 2020, "Social distancing is defined as avoiding public places, staying away from crowds, and maintaining an optimal distance of two meters from other people.

Places that have the potential to cause crowds are closed in the context of implementing the PSBB." Due to the large number of visitors, a temporary closure was necessary at the start of the pandemic, because it was feared that it would become a new cluster for the spread of the virus. This was due to the closure of various markets, which resulted in no trading activity. To comply with government restrictions aimed at preventing the spread of Covid-19 which harmed the domestic market, textile centers were closed. Buyers who want to shop are limited by time constraints so that the policy of opening and closing odd-even shops and restrictions on shop hours, this does not have much effect on economic activity. This study illustrates that the PSBB policy has an impact on the downturn in the economy of business actors.

### **The Importance of Innovation Development in Running a Business**

Based on the results of the studies that have been conducted, it was found that one of the factors that influence MSME income is innovation. In today's modern era, one of the factors that is the key to success in running a business is innovation. In a business that wants to maintain its business in the future, business innovation is very necessary to run a business. The importance of this innovation is carried out so that the company is able to survive, and continue to develop following the times that are faced with various business upheavals. Moreover, in the midst of the Covid-19 pandemic as it is today, business innovation must be carried out by business people if they want their business to survive. Without innovating, the business will feel less attractive and less desirable. Advanced and developing companies are companies that are always innovating.

Innovation not only drives profit growth, but also enhances various capabilities such as the ability to enter markets and attract customers (Charan 2008). Several studies state that there is a relationship between competitive advantage and innovation. Martim de Conto et al. (2016), business actors have a competitive advantage and must have the ability to think creatively and innovatively. The results of this study support the results of previous research, that companies without creativity and innovation will not compete and survive in an era of increasingly fierce competition (Larsen et al., 2007).

### **The Importance of Implementing Strategy in Running a Business**

Based on the results of the studies that have been conducted, it was found that one of the factors that influence MSME income is strategy. These findings are in line with the findings of Hendry Hartono (2012) Using a marketing strategy can increase sales. Strategies can be used by business actors in facing competition. Strategy is very important because according to Hittmár et al. (2014) defines competitive strategy as a basic tool that determines business direction based on competitive strategy and strategic objectives. A strategy in running a business is needed by MSMEs because in many industries, it will be even more risky if the company does not have a strategy.

At present, many consumers and industries have experienced regular changes and improvements to the products offered. As a result, some companies feel fortunate to be able to innovate strategies (Kazinguvu, 2016). The importance of implementing a competitive strategy in this case helps businesses find new challenges for developments in today's digital era. Strategy is a concept that consists of many internal and external activities that increase the potential of a business. It is necessary to emphasize the importance of the role that influences the formation of strategy. The roles come from the product itself, distributing it, advertising it, and how to create demand.

### **Effect of Raw Material Prices (Factors of Production) on MSME Income**

Based on the results of the studies that have been conducted, it was found that one of the factors that influence MSME income is production factors such as raw materials. Yusniaji and Widajanti (2013) argue that raw materials are materials purchased to be processed so that they become semi-finished goods and in the end become ready goods or final goods for the company. Gina Nurushohifa Khaeruddin (2020) in her research also stated that high raw material prices had an impact on declining income.

In general, high raw materials occur due to scarcity. The lack of availability of raw materials causes prices to increase which has an impact on decreasing income, especially for MSMEs. During the pandemic, there were many risks/problems faced by MSMEs. The risks with the highest impact according to Imam Safi'I (2020) are decreased income, reduced production volume, high raw material prices, and low risk, namely the delivery of raw materials.

#### **IV. CONCLUSION**

From the results of the analysis and discussion that has been carried out on the factors that affect MSME income, it can be concluded that there are several factors that affect MSME income during the pandemic, including; (1) there is a decrease in buyers, (2) social restrictions or PSBB, (3) innovation, (4) strategy, (5) production factors, namely the influence of raw material prices. An MSME owner must improve his entrepreneurial abilities because being a talented individual requires education and training. Business success demands more than hard work; every business owner must master the basics of entrepreneurship. Entrepreneurial skills are activities or knowledge that can assist in the development and operation of a successful company (Linan & Chen, 2009).

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