

## THE CAPITAL REQUIREMENTS OF MSMEs BEFORE AND AFTER PANDEMIC COVID-19 (CASE STUDY ON SMEs IN BAUBAU CITY)

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### ABSTRACT

Capital requirements are an important factor in the process of survival and adaptation. This study aims to determine the difference in the level of capital needs for MSME actors before the pandemic, during the pandemic and after the pandemic in 2021. The research method used is a quantitative method with the analytical tool for testing the hypothesis is the average difference test or t-test (t-test). The study was conducted on 84 respondents from 8,322 MSME actors who were successfully recorded by the Department of Cooperatives and MSMEs in Baubau City. The results showed that there was a significant difference in the level of capital requirements for MSME actors in Baubau City before the pandemic in 2019 and during the pandemic in 2020. Besides that, it was also found that there was no significant difference in the level of capital requirements for MSME actors in Baubau City before the pandemic in 2015, 2019 and during the pandemic in 2021.

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### 1. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are productive business units that stand alone, which are carried out by individuals or business entities in all economic sectors [1]. In addition, the presence of MSMEs in Indonesia has a significant contribution, especially in expanding employment opportunities [2]. MSMEs are also the main source of life for low-income people to carry out productive economic activities [3]. But in reality, MSMEs are still not able to realize their abilities and roles optimally in the national economy [1]. This is because MSMEs still face various obstacles and constraints, especially limited working capital [4]. The role of business capital is very important considering the need for working capital financing and investment requires funds to run a business and improve the business being run [5].

The main factor that hinders the development of MSMEs is the lack of capital and limited access to it, therefore, MSMEs that do not have sufficient capital will find it difficult to run their business, without sufficient capital MSMEs will lose the opportunity to increase the quantity and quality of the products produced [6]. This of course can be detrimental to the business actor himself. The development of sales is closely related to the need for capital in carrying out activities, especially production and marketing, these two types of activities really require sufficient capital [7]. Businesses that grow and develop without the support of strong capital, all activities that can develop the business cannot run well [8].

The general public has consciously carried out economic activities for good survival in society in a sustainable manner. However, since the occurrence of COVID-19 in Indonesia was first detected in March 2020, MSMEs have been badly affected [9]. Based on data from the ministry of cooperatives which explained that 1,785 cooperatives and 163,713 Micro, Small and Medium Enterprises (MSMEs) were affected by the Corona Virus Pandemic (Antara, May 2020). At the MSME level, previously there were no problems in sales, but since the onset of this pandemic it has been very influential in developing MSMEs, for example, if you look at it from the aspect of declining sales due to the tendency of buyers not to make purchases, then from the aspect of raw materials it is difficult to obtain, and bad credit [10]. indeed not all MSMEs have experienced a decline in economic activities, even the national government is also experiencing various obstacles from the economic downturn due to this pandemic [11]. National efforts have been made by the central government in providing stimulus to MSMEs by providing direct assistance to revive MSME activities [12].

For some MSMEs that are still surviving, of course, they have their own strategy and require creativity to keep their business running, it cannot be denied, slowly everything has turned towards digital, so that interaction between humans and technology is no longer inevitable [13]. All fulfillment needs are available digitally, from buying and selling, services, to payment transactions. Apart from that, what made MSMEs survive during the Covid-19 pandemic was because, first, most MSMEs produced consumer goods

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and services with low elasticity of demand for income [14]. Second, most MSMEs use their own capital so that it does not affect the performance of the MSMEs themselves [15]. Third, Covid-19, which has been prolonged, has seen cases of layoffs in the formal sector resulting in an increase in the number of unemployed, in the end causing the unemployed to enter the informal sector by conducting small-scale business activities which has resulted in an increase in the number of MSMEs[6].

The Baubau City MSME development program really needs the synergy of the role of the Baubau City Government and financial institutions to overcome obstacles or constraints on the limited business capital of MSMEs. Based on data from the Baubau City Cooperatives and UMKM Service, from 43 urban villages in 8 existing sub-districts, around 4,077 MSME actors were affected, both in the culinary field and those engaged in the craft sector, a number of MSME actors were unable to run their business normally. Limited community activities in the midst of a pandemic triggered the sluggish circulation of the Rupiah. Based on the description above, this study aims to determine the capital requirements of MSMEs before and after the COVID-19 pandemic in Baubau City."

## 2. METHOD

### Type and Data Source

The type of data used in this research is quantitative data in the form of documents that present sales data before and during the Covid-19 pandemic. The data source used in this study is primary data obtained by distributing questionnaires to MSME actors in Baubau City. The population in this study is all MSME actors in Baubau City with a total of 8,322. Using the slovin formula, the number of samples is 99 people. MSME actors who returned a questionnaire that was completely filled out and could be analyzed were 84 people.

### Analysis Method

The data analysis method used in this research is quantitative descriptive analysis. Quantitative descriptive analysis is data analysis by describing or describing the data that has been collected as it is (Sugiyono, 2017: 207). The analytical tool used in this study is the analysis of the design of hypothesis testing by means of a t-test (t-test). The data used is in the form of interval or ratio scale data. This test is conducted to determine whether there is an average difference between two paired samples or related.

## 3. RESULT AND DISCUSSION

### 3.1 Data Description

This research only focuses on four sub-districts located in downtown Baubau, namely Batupoaro District, Murhum District, Betoambari District, and Wolio District. Specifically, the business location of the respondents in this study can be seen in the following table 1 below

Table 1. Respondents by Business Location

Business Location	Frequency	Percentage
Wolio District	35	41.7%
Murhum District	8	9.5%
Batupoaro District	36	42.9%
Betoambari District	5	6.0%
Amount	84	100.0%

Most of the respondents have business locations in the Batupoaro sub-district with a percentage of 42.9% and in Wolio sub-district as much as 41.7%. This is regrettable because in general the respondents' business locations are in traditional markets and crowd centers in the two sub-districts. The traditional market in the Batupoaro district is Pasar Wameo, while the center of the celebration is Kotamara. Traditional markets in Wolio sub-district are Karya Nugraha Market, Laelang Market and Lembah Hijau Fruit Market, while the center of the crowd is at Kamali Beach. With the existence of traditional markets and crowd centers, it is a strategic location for MSME players so that for the city of Baubau, MSME players are concentrated in the Batupoaro sub-district and Wolio sub-district.

The classification of respondents based on the source of venture capital can be shown in table 2 below:

Table 2. Respondents Based on Capital Sources

Capital Sources	Frequency	Percentage
Owner's equity	77	91.7%
Bank	5	6.0%
Cooperative	2	2.4%
Amount	84	100.0%

Based on the characteristics of the respondents' capital sources in table 2, it shows that in general the respondents have business capital that comes from their own capital, namely as many as 77 respondents with a percentage of 91.7%. Only 5 respondents or 6% used banks as a source of capital and 5 respondents or 6% used cooperatives as a source of capital. Respondents still rely on their own capital and have not attempted to increase their business by seeking external capital.

### 3.2. Working Capital Requirements

Working capital is the total working capital used by MSME actors for one year. Descriptive statistics on business capital of MSME actors who are respondents to this study are as follows:

Table 3. Business Capital for SMEs in Baubau City in 2019-2021

Information	Minimum	Maximum	Mean	Std. Deviation
Capital Year 2019	1500000	50000000	12023809.54	10127769.511
Capital Year 2020	900000	40000000	6334523.81	8738868.914
Capital Year 2021	1500000	80000000	12073809.54	12520769.428

Based on the data in table 3, it can be seen that the most capital used by MSMEs in 2019 was IDR 50,000,000, in 2020 it was IDR 40,000,000 and in 2021 it was IDR 80,000,000. Meanwhile, the smallest capital used by MSMEs in 2019 is IDR 15,000,000, in 2020 it is IDR 9,000,000 and in 2021 it is IDR 15,000,000. The average capital requirement in 2019 was IDR 12,023,809.54, in 2020 it was IDR 6,334,523.81 and in 2021 it was IDR 12,073,809.54.

Based on this business capital data, all respondents in this study met the criteria for micro and small businesses because they had capital of less than IDR 500,000,000.

Changes in the working capital requirements of MSME actors who are respondents to this study can be shown in table 4 below:

Table 4. MSME Capital in Baubau City in 2019-2021

Modal	Year		
	2019	2020	2021
under 5 million	11	59	16
5jt s/d 10jt	31	9	33
10jt s/d 20jt	27	7	24
20jt s/d 30jt	7	6	2
30jt-s/d 40jt	5	0	5
40 s/d 50jt	2	3	2
above 50 million	1	0	2
<b>Total</b>	<b>84</b>	<b>84</b>	<b>84</b>

Based on the working capital requirements in table 3, it is known that the changes in the working capital requirements of Baubau City MSMEs from 2019-2021 were below 5 million in 2019 before the Covid 19 occurred, only 11 MSME actors. This number increased drastically in 2020 to reach 59 MSME actors and in 2021 it decreased again to only 16 MSME actors. This illustrates that in 2020 at the peak of the Covid 19 pandemic, the capital of MSME actors was drastically reduced and in 2021 the capital of MSME actors returned to normal, although not in its entirety.

A different pattern is found in the MSME actors' capital of 5 million to 10 million rupiah. In 2019 the income of MSME actors in this group was 31 MSME actors and in 2020 the number was only 9 then it rose again in 2021 to 33. This data shows that the MSME pleaku group with income of 5 million to 10 million rupiah experienced the largest decrease in income, namely as many as 21 MSMEs during the Covid 19 pandemic in 2020. Furthermore, this condition will gradually return to normal in 2021.

The MSME group with working capital of 10 million to 20 million is a group that has the same pattern as the 5 million to 10 million rupiah group. At the time of the Covid 19 pandemic in 2020 there was a decrease in the number and in 2021 it will gradually return to normal.

### 3.3. t Test

Based on the results of the calculation of the difference test of the two average data presented in table 5 below:

Table 5 Wilcoxon Signed Ranks Test

	N	Mean Rank	Sum of Ranks
Capital Year 2020 - Capital Year 2019	78 <sup>a</sup>	40.35	3147.50
Negative Ranks			
Positive Ranks	2 <sup>b</sup>	46.25	92.50
Ties	4 <sup>c</sup>		
Total	84		
Capital Year 2021 - Capital Year 2019	31 <sup>d</sup>	31.34	971.50
Negative Ranks			
Positive Ranks	24 <sup>e</sup>	23.69	568.50
Ties	29 <sup>f</sup>		
Total	84		

- a. Capital Year 2020 < Capital Year 2019  
b. Capital Year 2020 > Capital Year 2019  
c. Capital Year 2020 = Capital Year 2019  
d. Capital Year 2021 < Capital Year 2019  
e. Capital Year 2021 > Capital Year 2019  
f. Capital Year 2021 = Capital Year 2019

Table 6 Test Statistics

	Capital Year 2020 - Capital Year 2019	Capital Year 2021 - Capital Year 2019
WITH	-7.332 <sup>b</sup>	-1.697 <sup>b</sup>
Asymp. Sig. (2-tailed)	.000	.090

- a. Wilcoxon Signed Ranks Test  
b. Based on positive ranks.

Based on table 5 the Wilcoxon test results can be interpreted as follows:

- There were 78 MSME actors who experienced a decrease in venture capital in 2020 compared to 2019.
- There were 2 MSME actors who experienced an increase in business capital in 2020 compared to 2019.
- There are 4 MSME actors who have not experienced a change in business capital in 2020 compared to 2019.
- There are 31 MSME actors who have experienced a decrease in business capital in 2021 compared to 2019.
- There are 24 MSME actors who have experienced an increase in business capital in 2021 compared to 2019.
- There are 29 MSME actors who have not experienced a change in business capital in 2021 compared to 2019.
- The significance value (p) for 2020-2019 shows a value of 0.000, which is less than 0.05 ( $p < 0.05$ ). Based on the Wilcoxon test rules, the research hypothesis is acceptable, meaning that there is a significant difference in the level of capital requirements before the 2019 pandemic and during the 2020 Covid-19 pandemic.
- The significance value (p) for 2021-2019 shows a value of 0.090, which is greater than 0.05 ( $p > 0.05$ ). Based on the Wilcoxon test rules, the research hypothesis is rejected, meaning that there is no significant difference in the level of capital requirements before the 2019 pandemic and during the 2021 Covid-19 pandemic.

The results of this study confirm that in 2019 and 2021 there are no significant differences in capital requirements. In 2019, when conditions were still normal, the capital requirements of MSMEs were also in normal conditions. After the COVID-19 pandemic in 2020 and its implementation lockdown then the

turnover of MSME players has also decreased so that the need for working capital has also decreased. However, in 2021 when the government lifted the lockdown and implemented PPKM, the turnover of MSME actors experienced positive things as well as their capital needs. Even though not all MSME actors can return to normal like in 2019, with the implementation of the PPKM policy, MSME actors can carry out activities and have an impact on increasing the working capital needs of MSME actors in Baubau City.

#### 4. CONCLUSION

Based on the results of the research and discussion, the conclusion of this study is that there are significant differences in the level of capital requirements for MSME actors in Baubau City before the pandemic in 2019 and during the pandemic in 2020. This study also found that there were no significant differences in the level of capital requirements for MSME actors in Baubau City before the pandemic in 2019 and during the pandemic in 2021.

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