

## **CHAPTER I INTRODUCTION**

### **A. Background**

Indonesia ensuring the first case of coronavirus infection causes Covid-19 in early March 2020. Coronavirus is a large family of viruses that cause illnesses ranging from mild to severe symptoms. There are at least two types of coronavirus that are known to cause diseases that can cause severe symptoms, such as Middle East Respiratory Syndrome (MERS) and Severe Acute Respiratory Syndrome (SARS). According to WHO (2020) Coronavirus Disease 2019 (COVID-19) is a kind of new diseases that had not previously been identified in humans. Since then, various preventive measures have been taken by the government to reduce the impact of the Covid-19 pandemic in various sectors. Almost all sectors are affected, not only health. The economic sector has also been seriously affected by the corona virus pandemic. Restrictions on community activities affect business activities which in turn have an impact on the global economy. The global ratings agency S&P gave dire predictions about the impact of the coronavirus on the Asia Pacific economy. Indonesia, which was also affected, is preparing to take steps to save itself. S&P Global in its report wrote that the corona virus can cause Asia-Pacific economic losses of US \$211 billion, or more than one-fifth of Indonesia's economic output in a year. Australia, Hong Kong, Singapore, Japan, South Korea and Thailand are predicted to be in danger of being dragged into

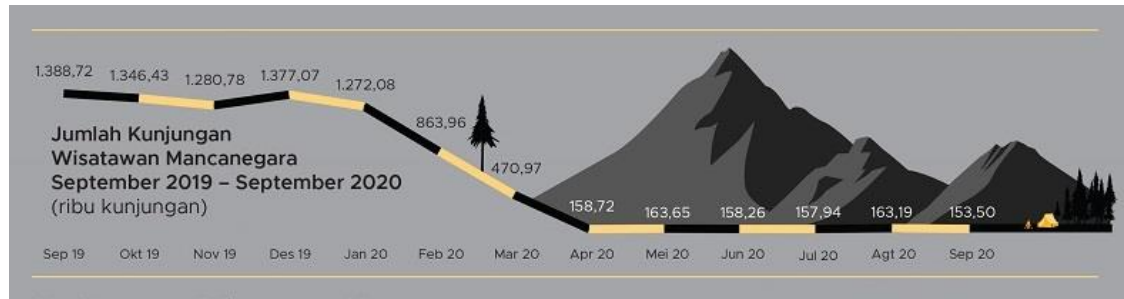
a recession. The agency also revised down China's economic growth forecast for 2020 from 5.7% to 4.8% (Citradi, 2020). China is the second largest economy in the world and Indonesia's main trading partner. Given that China is the second largest economy in the world and Indonesia's main trading partner, China's economic disruption will have an impact on the world economy, including Indonesia.

According to Coordinating Minister for the Economy Airlangga Hartarto, China will greatly affect the rate of economic growth in Indonesia. In this case, if the Chinese economy slowed down by 1-2%, it will automatically impact on the Indonesian economy at 0.1-0.3% of the Indonesian economy (Asmara, 2020). This pandemic also made Chinese trading partners such as Indonesia experience difficulties, because export-import activities had to be limited to reduce the number of the spread of Covid-19. This has an impact on large companies in Indonesia. The condition of the Indonesian economy has worsened with the Covid-19 shock to the tourism sector, which is a sector that has an important role as a source of foreign exchange earnings, and can encourage national economic growth, especially in reducing the number of unemployed and increasing the productivity of a country.

According to Yakup (2019), the tourism sector is one of the strategic sectors which should be utilized for the development of tourism as part of national development. Tourism development has the ultimate goal of increasing people's

income which in turn can improve people's welfare and economic growth. The development of tourism also encourages and accelerates economic growth. Tourism activities create demand, both consumption, and investment, which in turn leads to the production of goods and services. The tourism industry is faced with a massive drop in foreign tourist arrivals with massive terminations and lower bookings. Also the decline occurred due to a slowdown in domestic travel, particularly subject due to people's reluctance to travel. Worried about the impact of Covid-19. The decline in the tourism and travel business had an impact on the MSME business and disrupted employment opportunities. Even though so far tourism is a labor-intensive sector that absorbs more than 13 million workers (Sugihamretha, 2020).

This figure does not include the derivative effect or the multiplier effect that follows, including the derivative industries that are formed under it. The tourism industry is not moving a massive impact on various sectors of the supporters. With tourism activity at rest, many flights were canceled, sharply reducing domestic and international travel. This situation pushed businesses across the travel and tourism sector, including transportation services, lodging, entertainment and restaurants, to a hard hit.



Source: bps.go.id

**FIGURE 1. 1**

**Number of Foreign Tourist Visits**

The number of foreign tourist arrivals from September 2019 – September 2020 data from the Central Statistics Agency (BPS) recorded that foreign tourist arrivals who came to the country in early 2020 had decreased. During January 2020, foreign tourist visits reached 1.27 thousand visits. This figure has decreased by 7.62 percent when compared to the number of foreign tourist visits in December 2019 of 1.37 thousand visits. The decline in the number of foreign tourist visits is mainly caused by the outbreak of Covid-19 that occurred in the last week in January 2020.

According to Waskito (as cited in Windayani, 2017) tourism is also considered an industry that can provide fast economic growth in employment opportunities, income, standard of living, and activate other production sectors in tourist-receiving countries. The world of tourism has contributed a lot to economic life (Martina, 2014). Therefore, the tragic decline in the tourism sector has an impact on the tourism industry's Micro, Small and Medium Enterprises

(MSMEs). Micro, small and medium enterprises are an important sector besides tourism for the regional economy by increasing the production of micro, small and medium enterprises so that they can anticipate the economy for the future or the long term.

The absence of activity in tourist areas has made the marketing of Micro, Small and Medium Enterprises (MSMEs) in the city become jammed, aka suspended animation, one of which is Yogyakarta. According to the Head of the DIY Department of Cooperatives and SMEs Nurkyatsiwi, more than 59 percent of MSME players admitted that they had difficulties in marketing because during the tourism pandemic, there were no visitors. Based on data from the DIY Department of Small and Medium Enterprises, Manpower and Transmigration, there were 248,499 MSMEs at the beginning of 2019. Of this number, 28.5% of them filled the trade sector. Not only from the culinary sector, had Daerah Istimewa Yogyakarta (DIY) also had around 78,000 small and medium industries that support the trade sector. This sector is what forms a lot of informal workers or gig workers in Yogyakarta and forms the backbone of the Yogyakarta economy with a fairly large contribution (Miyaz, 2021). However, the COVID-19 pandemic has rendered them immobile. Apart from marketing difficulties, the Large-Scale Social Restriction (PSBB) policy in a number of regions has also made it difficult for MSMEs to obtain raw materials. Regions that implement PSBB automatically cannot send the raw materials needed by MSMEs.

Malioboro was very strongly affected, because the merchants' income was determined by the number of visitors, sadly during this pandemic many accesses to Malioboro were closed. In essence, tourist visits are very influential on the income of tourism area traders (Krisnahadi, 2020).

The problem due to the emergence of the Covid-19 pandemic has made MSME players have to seek the ability to be able to maintain their business, which is known as resilience. The difficulty of maintaining a business during a crisis like this has made several MSMEs go bankrupt. Even so, not a few MSME players have persevered as hard as they can to continue earning income from this sector, there is no other choice but to survive because selling is the only job they have. So that is why if survival is the way to go, then they must have resilience against this pandemic crisis. Resilience is a person's ability to withstand the problems or difficulties faced (Soetjipto, 2020).

The condition of the Covid 19 pandemic is not just a safety threat posed by an epidemic that has become a pandemic, but security measures set out in state policies that ultimately encourage all sectors of life and the economy to almost come to a standstill. Not only are public service agencies halted, but all macro and micro businesses have almost stopped completely, there are even traditional markets that have also been closed after shopping complexes and super markets. This condition is very surprising, which makes business actors, especially the SME and UMKM levels, will get an unexpected surprise, a surprise that

encourages business actors to think repeatedly, plan, secure assets and capital, and make efforts to save their business. As well as looking for ways to keep his business going during times of pandemics. An entrepreneur has an adversity quotient that does not need to be mixed, has motivation with measurable achievement targets, and a high work spirit. The lockdown, which had a very dramatic impact on reducing sales turnover, forced business actors to have a fairly good management strategy. The endurance or resistance they have is to take advantage of some of the opportunities that are created.

Building MSMEs should be an absolute choice for the government both at the central and regional levels. Building the independence of MSMEs is an obligation. There are a number of reasons and references that oblige us to implement it.

وَابْنِ وَالْمَسْكِينِ وَالْيَتَامَى الْقُرْبَىٰ وَلِذِي وَلِلرَّسُولِ فَلِلَّهِ الْقَرَىٰ أَهْلٌ مِّن رَّسُولِهِ عَلَى اللَّهِ أَقَاءَ مَا  
وَاتَّقُوا فَاذْنَبُوا عَنْهُ نَهَيْكُمْ وَمَا فَخَذُوهُ الرَّسُولُ أَنْتُمْ وَمَا مِنْكُمْ الْأَغْنِيَاءَ بَيْنَ دَوْلَةٍ يَكُونُ لَا كَيْ السَّبِيلِ  
الْعِقَابِ شَدِيدٌ اللَّهُ إِنَّ اللَّهَ

Meaning: The booty (Fai ') from those who were given by Allah to His Messenger (who came) from the inhabitants of several countries, was for Allah, Rasul, relatives (Rasul), orphaned children, poor people, and for people- those who are on the way, so that the treasure may not circulate only among the rich among you. What the Apostle gives you, accept it. Leave what he forbids. And fear Allah. Indeed, Allah is very harsh punishment (QS. Al-Hashr: 7)

According to experts, in the Al-Quran Chapter 59 verse 7, it is stated that Allah SWT prohibits the rotation of wealth (capital) only among the rich. From

this verse, we can learn that economic activity should involve the active participation of the middle-lower class of society, which in fact is the majority of the population in a country. With government intervention and solutions, maybe MSMEs can develop better. Covid-19 has really brought MSMEs to the gates of adversity, there have been lots of losses caused by this pandemic. Based on the above background, the authors are interested in researching "**The Resilience of Malioboro Micro Small and Medium Enterprise (MSMEs) Against the Covid-19**".

#### **B. Research Question**

1. Does Covid-19 affect the income of Malioboro MSMEs?
2. Does Covid-19 affect the employment of Malioboro MSMEs?
3. Does Covid-19 affect the capital of Malioboro MSMEs?
4. Does Covid-19 affect the production of Malioboro MSMEs?
5. Does Covid-19 affect the distribution activities of Malioboro MSMEs?
6. Does Covid-19 affect the changes in the trading method of the Malioboro MSMEs?
7. What is the marketing strategy for Malioboro MSMEs during Covid-19?
8. What is the survival strategy for Malioboro MSMEs?

#### **C. Research Purpose**

1. Analyze the impact of covid-19 on the income of Malioboro MSMEs
2. Analyzing the impact of covid-19 on the employment of Malioboro MSMEs



3. Analyzing the impact of covid-19 on the capital of Malioboro MSMEs
4. Analyzing the impact of covid-19 on the production of Malioboro MSMEs
5. Analyzing the impact of covid-19 on the distribution activities of Malioboro MSMEs
6. Analyzing the impact of covid-19 on the trading methods of Malioboro MSMEs
7. Know the marketing strategy of Malioboro MSMEs during Covid-19
8. Knowing the survival strategies of Malioboro MSMEs

#### **D. Benefit of Research**

1. Theoretically

This research is expected to provide benefits for developments in the business sector, especially MSMEs.

2. Practically

This research is expected to be an input for the authorities in formulating policies or making decisions regarding the influence of Covid-19 on MSMEs. In order to produce proper welfare.

3. For the Faculty of Economics and Business, University of Muhammadiyah Yogyakarta, it is hoped that it can add to the existing research treasury.
4. For writers, contribute to the development of the author's way of thinking.

5. For the government, as input to be able to maximize its duties properly in order to achieve a stable and good economy.