Impact of MSME Effectiveness and Governance on MSME Performance (Case Study: Palopo Msme Post Covid 19)

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A R T I C L E I N F O	**A B S T R A C T**
	This corona virus disease or Covid-19 has hit and stomped the joints of the economic and social life of the community. This pandemic has infected most of the countries in the world. Indonesia is no exception as one of the countries that feel the impact. In Indonesia, where the percentage of Micro, Small and Medium Enterprises (MSME) is quite high, it is hoped that there will be a strategic policy towards the MSME sector which has an important role in building the nation's economy. The purpose of this research is to find out the extent of the impact of MSME Policy and Governance during and after Covid-19 on MSME performance in Palopo City. The results showed that the effectiveness and governance of MSME had an effect on the performance of MSME either partially or simultaneously.

1.   Introduction

Since the beginning of the spread of the Corona Virus Disease (COVID-19) disease in Indonesia, all components of the government and society seem to clean up and prepare for the worst situation that will happen because of the rapid spread of the virus. This is of course also the main concern of the Indonesian government. The COVID-19 outbreak has started to become a global health problem since early 2020. WHO (Word Health Organization) as the World Health Organization began to inform this case at the end of last year, namely December 31, 2019. The first cluster that occurred from this outbreak was mentioned from Wuhan City, Hubei Province, China. WHO then on February 12, 2020 has released that Corona Virus Disease (COVID-19) is a disease that is troubling all people around the world. Meanwhile, Indonesia began to confirm this case for the first time on March 2, 2020.

The number of positive cases of Covid-19 is increasing day by day. It is becoming increasingly clear that this virus has become widespread and has become a very serious pandemic and needs immediate treatment, including the Indonesian government. As one of the countries that has been infected with this virus, Indonesia has begun to implement various actions and policies in dealing with this pandemic.

In accordance with Law Number 6 of 2018 concerning Health Quarantine. In Law number 6 of 2018 concerning Health Quarantine Article 59 paragraph (1) it is stated; PSBB is a response to a public health emergency, while paragraph (2) reads; PSBB aims to prevent the spread of public health emergency diseases that occur between people in a certain area. With the enactment of the PSBB, it is hoped that it can break the chain of the spread of the corona virus, so that people can carry out their activities as usual and the country's economy will also recover. (Law of the Republic of Indonesia Number 6 of 2018)

One of the initial policies implemented by the government was the lockdown/PSBB. This Lockdown/PSBB policy is considered as an effort to prevent the spread of the corona virus to an area. This step was carried out by the government, with previously carried out inspections to several regions and considering the consequences of this policy comprehensively, including economic and social factors. The implementation of this PSBB is part of the legislation contained in Law Number 6 of 2018 concerning Health Quarantine. Through this Act, monitoring activities for diseases and public health risk factors are carried out on the activities of people, goods, and/or the environment, as well as responses to public health emergencies in the form of health quarantine measures. Anticipating and reducing the number of Covid-19 sufferers in

Indonesia has been implemented in almost all parts of Indonesia, namely policies by limiting activities outside the home, school learning activities being carried out at home, working from home (work from home), and worship activities are also carried out at home.

Since April 17, 2020, a total of 37,000 MSMEs have registered their businesses at the Indonesian Ministry of Cooperatives and SMEs which have been affected by COVID-19 *(Setiawan, 2020b)*. In accordance with the information submitted, MSME actors have experienced a decrease in income since this epidemic broke out. It was concluded that there were four problem points during this pandemic, namely: First, there was a decrease in turnover due to restrictions on community activities. Second, capital constraints due to declining sales levels. Third, there are obstacles to the flow of goods distribution due to restrictions on the movement of the distribution of goods in certain areas. Fourth, it is difficult to find raw materials because as MSMEs always expect supplies of raw materials for other business actors.

Various problems then emerged along with the Large-Scale Social Restriction Policy (PSBB) issued by several regional governments in Indonesia. Following up on the Regulation of the Minister of Health of the Republic of Indonesia No. 9/2020 concerning PSBB Guidelines in the context of Accelerating the Handling of Covid-19, this policy includes restrictions on religious activities, and/or restrictions on activities in public places or facilities. The concern is that the implementation of the PSBB will have implications for the disruption of economic activity, especially production, distribution, and sales which will ultimately reduce the performance of MSMEs in the national economy.

In simple terms it can be said that when the economic cycle of the community experiences a decline, the presence of the government is expected to issue more concrete policies in economic problems that are being felt by the community.

Strategic policies must be taken by the government as soon as possible to prevent the emergence of potential conflicts and inequalities that can lead to social disasters (Social Disasters) **.**

2.   Literature Review

In Law Number 20 of 2008 it is explained that MSMEs are all types of productive businesses carried out by individuals or business entities that have met all the requirements and criteria according to the applicable law.

Micro, Small, and Medium Enterprises (MSMEs) which color much of economic life in Indonesia demand that the government be able to provide special policies in this sector because the contribution of MSMEs to the development of the national economy is quite significant(Sugiri, 2020).Although Micro, Small and Medium Enterprises (MSMEs) have made a major contribution to the national economy, MSME actors still encounter many serious obstacles, including: (a) Access to Banking (b) Raw Material Network (c) Availability of Human Resources (HR) Productive (d) Network Marketing(Idah & Pinilih, 2019).

Effectiveness is how to complete the work according to a predetermined schedule, meaning that the implementation of the work, whether good or not, will be seen in the extent to which the work can be completed, including the amount of costs incurred(Putri, 2017).

Effectiveness is the result of a decision that directs you to do something right, which helps fulfill a company's mission or achieve its goals(Urfa et al., 1997) ;(Anugrah, 2020).

Effectiveness is evidence of the achievement of a success in carrying out something. Success can at least be measured by indicators of clarity of purpose, clarity of strategy, analysis and formulation of policies, careful planning, appropriate programs, suggestions and infrastructure, supervision and control(Kurniawan, 2005).

There are at least three very important roles of SMEs in the lives of small people, namely (1) a means of alleviating the community from poverty, (2) a means to level the economic level of the small people, (3) providing foreign exchange for the country(Prasetyo & Huda, 2019).

Governance is a mechanism, process, and several guidelines that synergize the relationships of various institutions (*stakeholders*) so that organizational goals can be achieved(Yasin et al., 2015). The implementation of good governance has an impact on the achievement of organizational goals. In that case, indicators in measuring governance can be used: transparency, accountability, responsibility, independence, fairness and equality(Nugraheni & Martono, 2020).

MSME performance is all forms of MSME work achievements based on the targets and targets that have been set(Martono & Riyanto, 2017). There are three indicators that can be used to measure the

performance of MSMEs, namely sales growth, customer growth, and profit growth(Martono & Riyanto, 2017).

The COVID-19 pandemic has had a profound impact on the economy, especially Micro, Small and Medium Enterprises (MSMEs, because MSMEs are at a strategic level in the national economy. In the Southeast Asia region, MSMEs are reported to be able to create jobs ranging from 50% to 95% and participate in GDP by 30% to 50%.
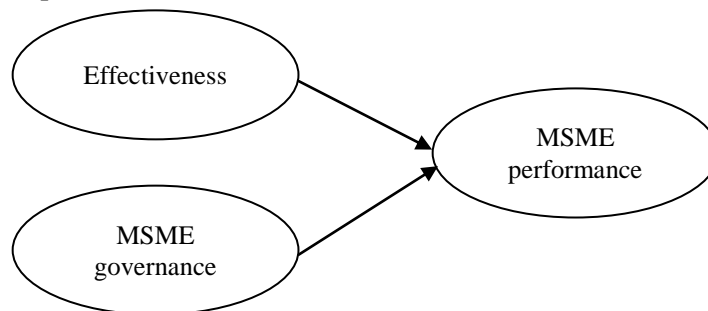
2.1 Relationship Between Variables

Fig 1. Conceptual Framework

Research hypothesis:
a. It is suspected that there is an influence between effectiveness on the performance of MSMEs
b. It is suspected that there is an influence between MSME governance on MSME performance
c. It is suspected that there is a simultaneous influence between the effectiveness and governance of MSMEs on the performance of MSMEs.

3. Research Methods

This study uses a descriptive quantitative approach. This research was conducted in Palopo City with the object of research is UMKM. For the sample used as many as 89 samples. Determination of the sample using the Quota Sampling technique. This research is a multiple linear regression method. In testing the data from the research sample using SPSS 21 by going through several series of tests.

4. Research Results and Discussion

4.1 Test Validity
The validity of the data in the study is needed so that the results obtained are also correct. The validity of the data indicates that the data is worthy of further testing. Below is a table that shows the results of testing the validity of the data using the Statistical Package for the Social Sciences (SPSS 21)

Tabel 1
Validity Test Results

Variable	No. Question Items	r Table	r Count	Information
Effectiveness	1	0.208	0.498	Valid
	2	0.208	0.520	Valid
	3	0.208	0.624	Valid
	4	0.208	0.542	Valid
	5	0.208	0.696	Valid
	6	0.208	0.531	Valid
MSME Governance	1	0.208	0.572	Valid
	2	0.208	0.555	Valid
	3	0.208	0.564	Valid
	4	0.208	0.381	Valid
	5	0.208	0.507	Valid
MSME	6	0.208	0.343	Valid

Variable	No. Question Items	r Table	r Count	Information
Performance	1	0.208	0.666	Valid
	2	0.208	0.586	Valid
	3	0.208	0.554	Valid

Source: primary data processed, 2021

The results of the validity test in table 1 can be explained that the data used in the study for each question on each variable is valid. This is evidenced by the value of r arithmetic greater than r table.

4.2 Reliability Test

Reliability testing is intended to test the consistency, accuracy and power Predictive accuracy of the measuring instruments used.

Tabel 2.
Reliability Test Results

Variable	Cronchbach Alpha	Information
Effectiveness	0 654	Reliable
MSME Governance	0 733	Reliable
MSME Performance	0 721	Reliable

Source: primary data processed, 2021

The results of the reliability test in table 2 can be explained that the variables used in this study are reliable. This is evidenced by the *Cronchbach Alpha* value being above 0.6 for all variables.

4.3 Normality Test

To see if the data distribution in the study is normally distributed or not, the normality test is used.
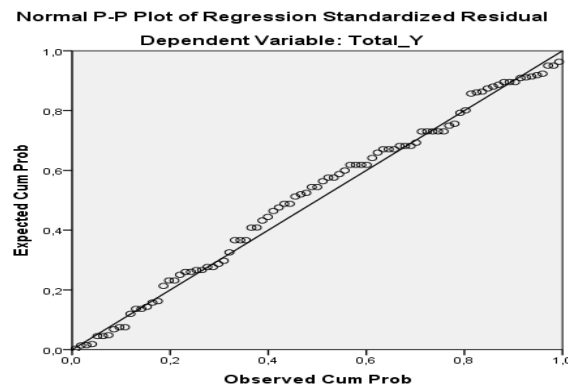

Fig 2. Normality test results
Source: primary data processed, 2021

It is said that the data is normally distributed if the distribution of the data is along the diagonal line. In the picture above, it is proven that this study uses data that is normally distributed.

4.4 Multicolliarity Test

To see whether there is a strong relationship or correlation between the independent variables, the multicollinearity test can be performed . In seeing whether there are indications of multicollinearity in the study, two ways can be used, namely by looking at the tolerance value which must be above 0.10 or by looking at the *Variance Inflation Factor* (VIF) value which must be below 10.

Table 3
Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
Effectiveness	1,000	1.00 0
MSME Governance	1,000	1,000

Source: Primary data processed, 2021

The test results in the multicollinearity table show that there is no multicollinearity symptom. By looking at the tolerance value and also the VIF value in the table above, it can be concluded that there is no indication that there is a strong correlation between the effectiveness and governance variables of MSMEs.

4.5 Heteroscedasticity Test

To see if there is a symptom in the study that there is an inequality of variation in observations to other observations, the heteroscedasticity test is used. To see if there are symptoms of heteroscedasticity, it can be done by paying attention to the value of Sig. (2-tailed) in the table below.

It is said to be free from heteroscedasticity symptoms if the value of Sig. (2-tailed) is greater than the alpha level of 0.05.

Table 4

Heteroscedasticity test

			Effectiveness	MSME Governance	Unstandardized Residual
Spearman's rho	Effectiveness	Correlation Coefficient	1,000	,007	,003
		Sig. (2-tailed)	.	,947	,974
		N	89	89	89
	MSME Governance	Correlation Coefficient	,007	1,000	,002
		Sig. (2-tailed)	,947	.	,985
		N	89	89	89
	Unstandardized Residual	Correlation Coefficient	-,003	,002	1,000
		Sig. (2-tailed)	,974	,985	.
		N	89	89	89

Source: Primary data processed, 2021

The test results in the heteroscedasticity table show that there are no signs of heteroscedasticity. By looking at the value of Sig. (2-tailed) is greater than the alpha level of 0.05. In the table above, it can be concluded that there is no indication of heteroscedasticity.

4.6 Hypothesis Testing

a. f test

In explaining how the influence of the independent variables together on the dependent variable, a simultaneous test is used or more commonly known as the f test.

Table 5

f test results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7,316	2	3,658	4,154	0.019 [b]
	Residual	75.740	86	,881		
	Total	83,056	88			

Source: Primary data processed, 2021

The significance value in the table above is 0.019. it means that the independent variable in this study, namely the effectiveness and governance of MSMEs has a significant effect on the performance of MSMEs.

b. t test

In explaining how the influence of the independent variable on the dependent variable is carried out, a partial test or more commonly known as the t-test is carried out.

Table 6

t test results

Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	7,659	2,116	3,620	,000
	Effectiveness	,104	0.053	1,951	0.054
	MSME Governance	,132	,063	2,101	,039

Source: Primary data processed, 2021

The results of the study in the table above explain how the effect of effectiveness on the performance of MSMEs and also the effect of MSME governance on the performance of MSMEs. Effectiveness has a positive and significant effect on the performance of MSMEs with a significance value of 0.054. Meanwhile, MSME governance also has a positive and significant impact on MSME performance with a significance value of 0.039. This means that during this pandemic, MSME Managers are getting better at managing and being more effective at doing things, then this will have an impact on increasing MSME performance.

4.7 Coefficient of Determination

Table 7
Coefficient of determination test results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,297 [a]	,088	,067	,938

Source: Primary data processed, 2021

The magnitude of the contribution of the effectiveness and governance variables of MSMEs can be seen in the table above in the R Square column. The value on R Square is 0.088 or the equivalent of 8.8% . This value explains the influence given by the two independent variables on the performance of SMEs. it means that there are other variables that affect the performance of SMEs by 91.2% but are not included in the research model.

5.   Conclusions

The explanation of the research results has been stated in point 4 regarding the results of the research and discussion. From this presentation, several conclusions can be drawn as follows:
a.   The significance value of the t test on effectiveness is below the alpha level. So it can be stated that the effectiveness affects the performance of MSME significantly.
b.   The significance value of the t test on MSME governance is below the alpha level. So it can be stated that MSME governance significantly affects MSME performance.
c.   The significance value of the f test is below the alpha level. So it can be stated that the effectiveness and governance of SMEs affect the performance of SMEs together.

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Impact of MSME Effectiveness and Governance on MSME Performance (Case Study: Palopo Msme Post Covid 19) -
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873

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