

Factors Affecting the Performance of Micro, Small and Medium Enterprises (MSMEs) in Indonesia during COVID 19 Pandemic

Ririn Wulandari ^a, Wei-Loon Koe ^b

^aUniversitas Mercu Buana, West Jakarta, Indonesia

^bUniversiti Teknologi MARA, Melaka, Malaysia

[https://doi.org/10.35609/gcbssproceeding.2021.1\(88\)](https://doi.org/10.35609/gcbssproceeding.2021.1(88))

ABSTRACT

Due to the Covid 19 pandemic, Indonesia's economic growth in the first quarter of 2020 has fallen to 2.97; it recorded -5.35 in the second quarter and -3.49 in the third quarter (Mulyani, 2020). This decline in growth has undoubtedly shaken micro, small and medium enterprises (MSMEs). According to the Ministry of Cooperatives for Micro, Small and Medium Enterprises (2020), 18.83% of MSMEs suffered hampered production, 22.9% experienced decreased demand, 18.87% faced difficulties in obtaining raw materials and 20.01% encountered hampered distribution. MSMEs in Indonesia contribute 60.4% of GDP and 97% of employment (Economic Indicator, 2019). However, they were severely affected by the Covid 19 pandemic. Therefore, examining the performance of MSMEs during the period of COVID 19 pandemic is crucial. Moreover, the pandemic has resulted chaotic economic conditions and changes in social order. Economic chaos and changes in social order could either strengthen or weaken the resilience of MSMEs. According to Tencer & Cadoso (2014), innovation arises because of chaos and unhealthy market domination. Ivanus & Repanovici (2016) mentioned that MSMEs need to have clear innovation strategy, adjust to market demand, make changes in production costs and show product quality in order to increase the economic growth. As supported by Christensen et al. (2018), MSMEs innovate to ensure their business continuity is maintained. Thus, innovation is particularly important for business survival in the era of Covid 19 pandemic. However, Martinez-Vergara and Vall-Pasola (2020) found that some businesses did not innovate. As such, there is a need to scrutinize further on the influence of business owners' characteristics on innovation and its effect on performance.

Keywords: Characteristics, Innovation, Micro small and medium enterprises (MSMEs), Performance