COVID-19 Impact on Micro, Small, and Medium-Sized Enterprises and Post-Crisis Actions
One-year after the outbreak in Indonesia

Asian Impact webinar: How Smaller Firms in Indonesia Survive One Year into the Pandemic
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Profile of MSMEs Surveyed

- 2,509 complete responses from MSMEs.
- 89.4% of the respondents from micro, 8.7% small, and 1.9% medium-sized firms.
- 88.2% of the respondents from 4 provinces (DKI Jakarta, Jawa Barat, Jawa Timur, and Sumatera Utara).
- 93.8% engaged in services (6.2% for tourism), 3.2% manufacturing, and 3.0% agriculture.
- 93.0% for sole proprietorship.
- 47.5% for young startups operating 0-5 years.
- 49.8% for women-led MSMEs.
- 28.1% for digitally-operated MSMEs.
- 1.7% for internationalized MSMEs.

Source: calculated based on data from the follow-up MSME survey in Indonesia, March–April 2021.
One Year after the Outbreak in Indonesia:
Economy has moved to the recovery stage.
Business reopening but continued drop in domestic demand.

Note: 525 valid samples from the MSME Survey in Indonesia (March-April 2020); 2,509 from the Follow-up MSME Survey in Indonesia (March-April 2021). Source: Calculated based on data from series of MSME surveys in Indonesia.
MSMEs with no revenue decreased sharply but continued drop in income.

MSME's Monthly Income in Indonesia

Note: 525 valid samples from the MSME Survey in Indonesia (March-April 2020); 2,509 from the Follow-up MSME Survey in Indonesia (March-April 2021). Source: Calculated based on data from series of MSME surveys in Indonesia.
Employment is returning to normal. WFH arrangement has spread.

MSME Employment in Indonesia

Changes in MSME Employment in Indonesia

WFH = work-from-home.
Note: 525 valid samples from the MSME Survey in Indonesia (March-April 2020); 2,509 from the Follow-up MSME Survey in Indonesia (March-April 2021).
Source: Calculated based on data from series of MSME surveys in Indonesia.
MSMEs with no wage payments decreased sharply and limited wage cut.

Note: 525 valid samples from the MSME Survey in Indonesia (March-April 2020); 2,509 from the Follow-up MSME Survey in Indonesia (March-April 2021). Source: Calculated based on data from series of MSME surveys in Indonesia.
MSMEs with no cash/savings decreased sharply. While those with enough cash increased, working capital shortage in 3-6 months has risen.

MSME's Financial Condition in Indonesia

Note: 525 valid samples from the MSME Survey in Indonesia (March-April 2020); 2,509 from the Follow-up MSME Survey in Indonesia (March-April 2021). Source: Calculated based on data from series of MSME surveys in Indonesia.
MSMEs relied on own funds and informal financing sources, but access to bank credit increased gradually.

**MSME’s Funding in Indonesia**

- **Successfully took loans from banks for working capital**
- **Utilizing nonbank finance institutions for working capital**
- **Received funding support from business partner**
- **Borrowing from family, relatives, and friends**
- **Using own fund/retained profit to maintain business**

Note: 525 valid samples from the MSME Survey in Indonesia (March-April 2020); 2,509 from the Follow-up MSME Survey in Indonesia (March-April 2021).
Source: Calculated based on data from series of MSME surveys in Indonesia.
While moderately seeking deferrals of loan and tax payments, MSMEs considering further layoffs increased, given the prolonged pandemic.

Note: 525 valid samples from the MSME Survey in Indonesia (March-April 2020); 2,509 from the Follow-up MSME Survey in Indonesia (March-April 2021). Source: Calculated based on data from series of MSME surveys in Indonesia.
Concessional loans were highly desired by MSMEs, but willingness diminished.

Financial Policy Measures Desired by MSMEs in Indonesia

March-April 2020

- Special refinancing facility/low interest rate loans: 85.7%
- Zero interest rate/collateral-free loans: 91.8%
- Special credit guarantees (partial or full coverage): 65.7%
- Faster approval of bank loans (simplified loan procedures): 84.2%
- Loan repayment moratorium/ease of loan repayment conditions: 81.7%
- Facilitating access to new financing models (DFS): 60.0%
- Support MSMEs in access to trade finance and SCF: 80.2%
- Business restructuring fund: 80.4%
- Debtor-in-possession financing for MSMEs in financial distress: 84.6%

March-April 2021

- Special refinancing facility/low interest rate loans: 40.1%
- Zero interest rate/collateral-free loans: 49.3%
- Special credit guarantees (partial or full coverage): 34.0%
- Faster approval of bank loans (simplified loan procedures): 42.2%
- Deferred debt repayments/debt repayment moratorium: 39.8%
- Debt restructuring by financial institutions: 35.4%
- Facilitating access to new financing models (DFS): 22.0%
- Support MSMEs in access to trade finance and SCF: 33.5%
- Business restructuring fund: 28.9%
- Debtor-in-possession financing for MSMEs in financial distress: 29.7%

Note: 525 valid samples from the MSME Survey in Indonesia (March-April 2020); 2,509 from the Follow-up MSME Survey in Indonesia (March-April 2021). Source: Calculated based on data from series of MSME surveys in Indonesia.
Business subsidy was the top policy measure desired. MSMEs need more information on government assistance.

### Nonfinancial Policy Measures Desired by MSMEs in Indonesia

**March-April 2020**

- **Tax relief/deferred tax payments/corporate tax reduction:** 72.0%
- **Subsidy for business recovery/cash transfer/grants:** 89.5%
- **Assistance to pay salary for employees:** 75.0%
- **Simplified procedures/eased requirements for public procurement:** 71.8%
- **Suspending payment on government contracts:** 59.8%
- **Business development and advisory services:** 79.8%
- **One stop service windows to support MSME exporters/importers:** 64.6%
- **Removing restrictions to foreign investments in domestic MSMEs:** 50.5%
- **Mentoring/business literacy programs for MSMEs:** 65.5%
- **Providing assistance on teleworking arrangement:** 64.8%
- **Sector-specific support measures (e.g., tourism):** 72.6%
- **Comprehensive info platform on govt assistance programs:** 82.5%

**March-April 2021**

- **Tax relief/deferred tax payments/corporate tax reduction:** 38.7%
- **Subsidy for business recovery/cash transfer/grants:** 68.1%
- **Assistance to pay salary for employees:** 46.4%
- **Deferred utility payments/utility subsidies:** 53.0%
- **Simplified procedures/eased requirements for public procurement:** 33.8%
- **Suspending payment on government contracts:** 23.0%
- **Business development and advisory services:** 50.5%
- **Support in upgrading skills of workers to keep them competitive:** 49.6%
- **Improved public ICT infra/regulation for high speed internet with lower cost:** 41.5%
- **Streamlining government transaction processes and shift to digital platforms:** 29.1%
- **One stop service windows to support MSME exporters/importers:** 26.8%
- **Removing restrictions to foreign investments in domestic MSMEs:** 20.2%
- **Mentoring/business literacy programs for MSMEs:** 44.7%
- **Providing assistance on teleworking arrangement:** 31.2%
- **Streamlining labor regulations for remote working arrangements:** 20.7%
- **Comprehensive info platform on govt assistance programs:** 48.1%

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Note: 525 valid samples from the MSME Survey in Indonesia (March-April 2020); 2,509 from the Follow-up MSME Survey in Indonesia (March-April 2021). Source: Calculated based on data from series of MSME surveys in Indonesia.
Reality: Usage of government assistance is limited. Some were recognized as useful assistance but others largely unrated.

### What kind of government assistance has your company received?

<table>
<thead>
<tr>
<th>Assistance</th>
<th>Yes 20%</th>
<th>Yes 40%</th>
<th>Yes 60%</th>
<th>Yes 80%</th>
<th>Yes 100%</th>
<th>No 20%</th>
<th>No 40%</th>
<th>No 60%</th>
<th>No 80%</th>
<th>No 100%</th>
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</thead>
<tbody>
<tr>
<td>Interest rate subsidy for loans (Subsidi bunga)</td>
<td>14.4%</td>
<td>85.6%</td>
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<td>Fund placement for credit restructuring (Penempatan dana)</td>
<td>11.1%</td>
<td>88.9%</td>
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<td>Credit guarantees for MSMEs (Penjaminan kredit UMKM)</td>
<td>12.8%</td>
<td>87.2%</td>
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<td>Final income tax break facility (PPh final UMKM)</td>
<td>10.7%</td>
<td>89.3%</td>
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<tr>
<td>Investment financing for cooperatives and MSMEs (Pembiayaan Investasi LPDP)</td>
<td>5.4%</td>
<td>94.6%</td>
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<tr>
<td>Productive assistance for MSMEs (Bantuan Presiden usaha mikro)</td>
<td>22.1%</td>
<td>77.9%</td>
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### How useful is government assistance to your company?

<table>
<thead>
<tr>
<th>Assistance</th>
<th>Very useful</th>
<th>Useful</th>
<th>Neutral</th>
<th>Not useful</th>
<th>Very not useful</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate subsidy for loans (Subsidi bunga)</td>
<td>36.0%</td>
<td>27.7%</td>
<td>30.5%</td>
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<tr>
<td>Fund placement for credit restructuring (Penempatan dana)</td>
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<td>32.3%</td>
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<td>Final income tax break facility (PPh final UMKM)</td>
<td>22.0%</td>
<td>23.9%</td>
<td>46.1%</td>
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<tr>
<td>Investment financing for cooperatives and MSMEs (Pembiayaan Investasi LPDP)</td>
<td>18.0%</td>
<td>24.5%</td>
<td>49.2%</td>
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<tr>
<td>Productive assistance for MSMEs (Bantuan Presiden usaha mikro)</td>
<td>52.0%</td>
<td>25.9%</td>
<td>20.1%</td>
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</table>

Note: 2,509 valid samples. Source: Calculated based on data from the Follow-up MSME Survey in Indonesia (March-April 2021).
Income tax break facility: Majority of MSMEs were eligible but not utilized because they don’t know the procedure.

- **Is your company eligible for the exemption from PP23 (income tax exemption for MSMEs)?**
  - Yes, 57.6%
  - No, 42.4%

- **Has your company submitted the claim for the exemption from PP23?**
  - Yes, 10.8%
  - No, 89.2%

- **Why not submitted the claim for the exemption from PP23?**
  - Don’t know the procedure, 60.5%
  - Not interested, 25.8%
  - Difficult procedure, 5.3%
  - Others, 6.6%
  - The proposal was rejected, 1.8%

Note: 2,509 valid samples.
Source: Calculated based on data from the Follow-up MSME Survey in Indonesia (March-April 2021).
Key Findings and Policy Implications

1. Indonesian economy would gradually shift to the recovery stage toward end-2021, but with downside risks of the economy caused by the prolonged pandemic.

2. Business reopening but MSMEs continue to face sharp drop in demand and revenue.

3. Employment returns to normal with limited wage cut. WFH has gradually spread.

4. MSMEs overcame serious no cash condition but working capital shortage in 3-6 months has risen.

5. MSMEs highly desired access to concessional loans, but their willingness diminished as access to bank credit improved. Business subsidy was the top policy measure desired.

6. Usage of present government assistance is limited. MSMEs need a comprehensive information platform on government assistance programs.

7. The government needs to further elaborate phased approach and differentiated policy measures by firm size and sector, addressing more support to entrepreneurships and growth capital delivery.

8. Digital transformation of MSME business is another policy priority, addressing informal sectors.

References

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Thank you for your attention.

For further questions:
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