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Determinants of Indonesian MSME Exports and Their Performance during the Covid-19 Pandemic

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Abstract

MSME proved resilient to crises, but its performance did not improve. Indonesian MSMEs when compared to other countries have low export competitiveness. The Covid-19 pandemic has weakened more than 50% of MSMEs. The research objectives are to analyze the simultaneous and partial effect of the rupiah against the US dollar exchange rate, the growth of MSME, investment, and bank credit on the export of MSME products; analyze the influence of MSME exports on GDP growth; and analyze the effect of MSME exports on employment; and to find out the export performance of MSME during the Covid-19 pandemic. Survey research with technical analysis of OLS Multiple Regression data on secondary data for the 2010-2020 quarter. Research results are: 1) Stability of the Rupiah/USD exchange rate, growth in the number of MSMEs, increased investment, and increased bank lending to the MSME sector as well as controlled inflation rates had a very significant impact on increasing exports of MSME products; 2) Exports of MSME products contribute greatly to GDP and have an impact on increasing people's per capita income; 3) The increasing export value of MSME products encourages MSME entrepreneurs to continue to increase their productivity so that this sector can absorb a significant workforce; 4) MSME's performance in the Covid-19 pandemic was shown by the decline in the value of exports and employment, but the number, investment, credit, and contribution to GDP continued to increase until the end of 2020.

Keywords: Bank Credit, Employment, Exchange Rate, Exports, GDP, Investment, Number of MSMEs

1. Introduction

Economic development is a series of efforts in an economy to develop economic activity businesses so that more infrastructure is available, more and more companies are developing, the level of education is getting higher and technology is increasing (UMN, 2016). Micro, Small, and Medium Enterprises (MSME) have an important and strategic role in national economic development. Apart from playing a role in economic growth and employment, MSME also plays a role in distributing development results (Tambunan, 2021a).

The number of Indonesian MSME business is among the largest among other countries, since 2014, the number of MSMEs in Indonesia continues to experience development and growth, and it is proven that the crisis is not affected, even the number of workers absorbed continues to increase (BPS, 2020; Tambunan, 2021b). Therefore, there is a need for cooperation for the development and resilience of MSMEs by increasing empowerment strategies through improving export performance (Adrian, 2018). The strategy to overcome the times is by controlling the market to expand the marketing network (Rajput, Rajput, Batra, & Oberoi, 2012). In addition, the application of information technology (IT) to MSME will facilitate the expansion of markets both in the domestic and foreign markets and the establishment of an IT-based MSME Development Center (Ghouse, 2014; Altun, 2017; Adrian, 2018).

Based on previous research, macroeconomic elements such as exchange rates, interest rates, inflation affect MSME export performance (Dincer & Kandil, 2011; Tuluca & Doganb, 2014; Mahadika, Kalayci, & Altun, 2017; Rudianto & Susilastuti, 2019). Financing both foreign (Foreign Direct Investment) (Sharma & Gounder, 2012), as well as banking financing (Kartikasari, 2017; Rudianto & Susilastuti, 2019), affect MSME performance. MSME performance has implications for economic growth (Kartikasari, 2017; Salim, Susilastuti & Rafiqah, 2020; Rudianto & Susilastuti, 2021; Tambunan, 2021a) and employment (Katua, 2014; Sentosa, Ariusni & Triani, 2015; Rudianto & Susilastuti, 2021; Tambunan, 2021).

Based on the previous research above, where the research is still partial, this research variable was studied simultaneously and used as a novelty because it had never been studied before. This research is a complementary follow-up study on the effect of the Rupiah (IDR) against the US Dollar exchange rate, growth in the number of MSMEs, investment, banking credit on exports of MSME products and gross domestic product and their implications for employment in the MSME sector and their performance during the Covid-19 pandemic. The pandemic condition presents a separate problem that needs to be discussed in connection with the strong influence on the national economy.

The formulation of the problem in this study is as follows:

- 1) How is the effect of the rupiah exchange rate against the US dollar, the simultaneous and partial growth in the number of MSMEs, investment, and bank credit on exports of Indonesian micro, small and medium enterprises (MSME) products?
- 2) How does the export of MSME products affect the gross domestic product?
- 3) What is the effect of exports of MSME products on employment in the MSME sector?
- 4) How was MSME's export performance during the Covid-19 pandemic?

2. Method

Survey research on quarterly time series data from 2010 to 2020 ($n = 44$). The variables studied were Exchange Rate (X_1), MSME Growth (X_2), Investment (X_3), and Credit (X_4) as independent variables. MSME exports (Y) are the dependent variable (exogenous), while GDP (Z_1) and Labor Absorption (Z_2) are the dependent variables (endogenous). This study uses multiple linear regression analysis and simple linear regression analysis. The regression analysis technique uses the Ordinary Least Square (OLS) technique (Gujarati and Porter, 2012).

Multiple linear regression equation:

(a) Model I

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon_t \quad \dots\dots\dots (1)$$

Simple linear regression equation:

Simple Linear Regression Equation (Simple Linear Regression) is as follows:

(b) Model II

$$Z_1 = \beta_0 + \beta_5 \hat{Y} + \varepsilon_t \quad \dots\dots\dots (2)$$

(c) Model III

$$Z_2 = \beta_0 + \beta_6 \hat{Y} + \varepsilon_t \quad \dots\dots\dots (3)$$

Information :

$\beta_0 \dots 6$	=	Constant Equation 1 to 3
$\varepsilon_1 \dots 3$	=	Standard Error equation 1 to 3
\hat{Y}	=	recursive MSME Product Export

The normality test used the Jarque-Bera test (JB Test) (Gujarati & Parker, 2012). The multicollinearity test uses the Matrix correlation test (Gujarati & Porter, 2012). Autocorrelation test using Langrange Multiplier (LM) or BG Test (Breusch Godfrey) (Gujarati and Porter, 2012). Detection of heteroscedasticity is seen with the scater plot graph (Ghozali & Ratmono, 2017).

Simultaneously test the hypothesis using the F statistical test with a 95% confidence level, so that the alpha precision level is 0.05. Partial hypothesis test using t-test with alpha 0.005. The coefficient of determination (R^2) is used to measure the model's ability to explain independent variables (Gujarati & Porter, 2012).

3. Result

3.1. Unit Root Test and Classical Test

The group unit root test for all variables using the ADF (Augmented Dickey-Fuller) method produces an ADF value of 12.6665 with Prob. value $0.0006 < \alpha=0.05$ at the level. Thus, it be stated that all the stationary variables at the level and the resulting equations are cointegrated, or do not produce spurious regression for the three models. The results of the classical assumption test stated that the three models had met the criteria of normality, multicollinearity, autocorrelation, and heteroscedasticity or were declared to meet BLUE.

3.2. Descriptive Analyze

Based on the descriptive data collected, investment in the MSME sector has an average of 858,484.16 billion IDR with the highest investment value of 1,768,277.36 billion IDR in the fourth quarter of 2019. The fourth quarter of 2019 is the best moment for investment in the MSME sector to be able to boost MSME product export performance. MSME Banking Loans Sector had an average value of 798.47 billion IDR with the highest credit disbursement value of 1,047.14 billion IDR occurred in the fourth quarter of 2020.

The average inflation was 4.52 percent with the lowest inflation at 1.42 percent in the third quarter of 2020. The highest inflation occurred in 2013, the main reason being that the increase in fuel prices contributed to the inflation of 1.17%.

The Rupiah/USD Exchange Rate has an average value of 12,180 IDR with the highest Rupiah/USD Exchange Rate of 16,367 IDR occurring in the first quarter of 2020. The Rupiah exchange rate experienced the highest depreciation in the first quarter of 2020, this was due to the outbreak of the Covid pandemic - 19 had a major effect on the rupiah exchange rate throughout the first semester of 2020 which tended to fluctuate and depreciate. Exports of Indonesian MSME Products have an average value of 228,558.17 billion IDR with the highest export value of Indonesian MSME Products of 329,446.27 billion IDR occurred in the fourth quarter of 2019, the highest value for the last 11 years. Throughout 2019, MSME contributed 60.34 percent of GDP and 14 percent of total national exports.

Employment of the MSME Sector in Indonesia has an average value of 43,051,619 workers with the highest number of employees in the MSME sector of 62,244,120 workers occurred in the first quarter of 2020.

3.3. Inferential Analyze

The results of the Simultaneous Multiple Linear Regression F Test Model I are presented in Table 1 below:

Table 1: Simultaneous and Partial Test Results Model I

Dependent Variable: Export

Method: Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-9.485865	2.368094	-4.005696	0.0003
INVESTMENT	0.214857	0.023557	9.120703	0.0000
NUMBER OF MSME	1.984334	0.354084	5.604138	0.0000
CREDIT	0.008332	0.042808	0.194638	0.8467
INFLATION	0.009705	0.026674	0.363825	0.7180
EXCHANGE RATE	-0.457214	0.110011	-4.156073	0.0002
R-squared	0.976642	Mean dependent var		5.342979
Adjusted R-squared	0.973568	S.D. dependent var		0.118513
F-statistic	317.7641	Durbin-Watson stat		0.551207
Prob(F-statistic)	0.000000			

Source: processed by Eviews 10

Based on Table 1 it can be stated that: a). F Prob. value = 0.00000 = 0.05 which means simultaneously significant effect. This shows that the MSME sector investment variables, growth in the number of MSMEs, MSME sector banking credit, inflation, and the Rupiah/USD exchange rate have a significant effect on the export of Indonesian MSME products. b). Partial Test of MSME Sector Investment, P-value = 0.0000 ≤ 0.05, it is concluded that it has a significant and positive effect on MSME Product Exports. c). Partial Test The growth of the number of MSME, P-value = 0.0000 ≤ 0.05, it is concluded that it has a significant and positive effect on MSME Product Exports. d). A partial test of banking credit, P-value = 0.8467 > 0.05, it is concluded that there is no significant and positive effect on MSME Product Exports. e). Partial Inflation Test, P-value = 0.7180 > 0.05, it is concluded that there is no significant and positive effect on MSME Product Exports. f). Partial Test of Rupiah/US Exchange Rate, P-value = 0.0002 ≤ 0.05, it can be concluded that it has a significant and negative effect on MSME Product Exports. The value of Adjusted R² = 0.9735, it means that the MSME sector investment variables, growth in the number of MSMEs, banking credit in Indonesia, inflation, and the Rupiah/USD exchange rate have a very strong effect of 97.35 percent on Indonesian MSME Product Exports, the remaining 2.65 percent influenced by other factors outside the model under study.

Based Table 1, the equation of model I is stated that:

$$\ln Y = -9.485865 + 0.214857 \ln INV + 1.984334 \ln MSME + 0.008332 \ln CREDIT + 0.009705 \ln INFL - 0.457214 \ln ER \dots\dots\dots (4)$$

Based on the above equation, it is stated that: 1). Constant value = - 9.485865, meaning that statistically if all variables are ceteris paribus, then the value of MSME Product Exports is -9.485865 units. 2). Regression coefficient b1 = 0.214857, meaning that investment increases by 1 unit, then MSME product exports will increase by 0.214857 units. The value of the elasticity of investment to the export of MSME products is E = 0.214857 < 1, indicating that the increase in investment is inelastic to exports of MSME products or decreasing returns to scale. 3). Regression coefficient b2 = 1.984334, meaning that the growth in the number of MSMEs increases by 1 unit, so MSME Product Exports will increase by 1.984334 units. The elasticity value of the growth of the number of MSMEs on the export of MSME products is E = 1.984334 > 1, indicating that the increase in the growth of the number of MSMEs is an elastic or increasing return to scale. 4). Regression coefficient b3 = 0.008332, meaning that bank credit increases by 1 unit, so MSME product exports will increase by 0.008332 units. The investment elasticity of MSME Product Exports is E = 0.008332 < 1, indicating that the increase in credit is inelastic, namely decreasing returns to scale. 5) Regression coefficient b4 = 0.009705, meaning that banking credit increased by 1 unit, so MSME product exports increased by 0.009705 units. The value of investment elasticity on MSME Product

Exports is $E = 0.009705 < 1$, indicating that the increase in inflation is the inelastic or decreasing return to scale. 6) Regression Coefficient $b_5 = -0.457214$, meaning that if the exchange rate of rupiah/USD increases by 1 unit, then exports of MSME products decrease by -0.457214 units. The elasticity value of the Rupiah/USD Exchange Rate $E = -0.457214 < 1$, indicates that the decline in the Rupiah/USD Exchange Rate is inelastic or decreasing returns to scale.

The effect of Indonesian MSME product exports (recursive) on GDP (Table 2), shows a significance with P-value $= 0.0000 \leq 0.05$. The value of Adjusted R^2 is 0.7896, meaning that the magnitude of the influence of Indonesian MSME product exports on GDP is 78.96 percent, the remaining 21.04 percent is influenced by other factors outside the model studied.

Table 2: Simultaneous and Partial Test Results Model II
Dependent Variable: GDP
Method: Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.036605	0.359645	8.443352	0.0000
EXPORT_R	0.857597	0.067294	12.74397	0.0000
R-squared	0.794529	Mean dependent var		7.618727
Adjusted R-squared	0.789637	S.D. dependent var		0.117951
F-statistic	162.4088	Durbin-Watson stat		0.148809
Prob(F-statistic)	0.000000			

Source : Processed by Eviews 10

The linear regression equation is:

$$\ln \text{GDP} = 3,036605 + 0,857597 \ln \text{EXPORT_R} \dots\dots\dots (5)$$

The interpretations are 1). Constant value $= 3.036605$, meaning that if all the variables are ceteris paribus, then the GDP value is 3.036605 units. 2). Regression coefficient $b_6 = 0.857597$, meaning that the recursive Indonesian MSME Product Exports increased by 1 unit, so GDP increased by 0.857597 units. The elasticity value of MSME product exports to GDP is $E = 0.857597 < 1$, indicating that the increase in MSME product exports is the inelastic or decreasing return to scale.

The recursive effect of Indonesian MSME exports on labor absorption (Table 3) is significant and positive at a P-value of $0.0000 \leq 0.05$.

Table 3: Simultaneous and Partial Test Results Model III
Dependent Variable: EMPLOY
Method: Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.682447	0.178974	37.33745	0.0000
EXPORT_R	0.254875	0.033489	7.610809	0.0000
R-squared	0.579682	Mean dependent var		8.044237
Adjusted R-squared	0.569675	S.D. dependent var		0.041040
F-statistic	57.92441	Durbin-Watson stat		0.320514
Prob(F-statistic)	0.000000			

Source: Data processed Eviews 10

Adjusted R^2 value = 0.5697, meaning that the recursive effect of Indonesian MSME product exports on employment in the MSME sector is 56.97 percent, the remaining 43.0 percent is influenced by other factors outside the model studied. The simple linear regression equation is:

$$\text{Ln EMPLOY} = 6,682447 + 0,254875 \text{ Ln EXPORT}_R \dots\dots\dots (6)$$

The interpretation of the regression equation is as follows: 1). Constant = 6.682447 means n if all variables are ceteris paribus, then the value of the MSME Sector Labor Absorption is 6.682447 units. 2). Regression coefficient $b_1 = 0.254875$, meaning that the recursive export of Indonesian MSME products increases by 1 unit, so the MSME Sector Labor Absorption will increase by 0.254875. Elasticity = $0.254875 < 1$ indicates that the increase in MSME Product Exports is the inelastic or decreasing return to scale.

4. Discussion

Descriptively, the number of MSMEs, MSME export performance, GDP, and Indonesia's employment in 2010 - 2020 are presented in Fig. 1, as follows:

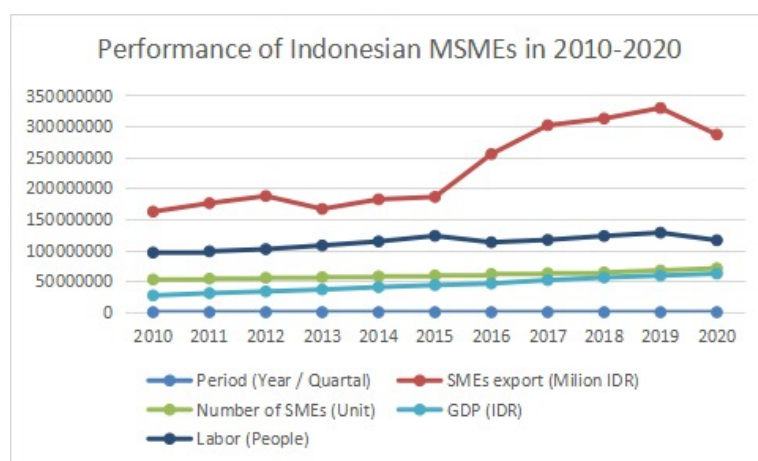


Figure 1: Performance of Indonesian MSMEs in 2010-2020

Source: Data BPS (2020) processed

Based on Fig. 1, it is explained that the number of MSMEs is increasing with an average increase of 0.7% / year and is still increasing during the 2019-2020 Covid-19 pandemic. MSME's export performance increased sharply starting in 2015 but declined during the pandemic. GDP as measured by per capita income increases until 2020, which is 62,244,120.00 IDR. Meanwhile, employment in the MSME sector decreased with the Covid-19 pandemic in 2019-2020.

The influence of the independent variables is descriptively explained as follow:

The factor that caused the high investment at that time began with the issuance of Indonesian Presidential Instruction No. 7 of 2019 regarding the acceleration of the ease of doing business, the Indonesian people were able to register their businesses practically. The number of MSMEs increased positively from 2010, the highest was 70,925,020 units in the fourth quarter of 2020, the highest growth was in the third quarter of 2.08%. Several factors support the growth of MSME, namely the factor of utilizing ICT (information, communication technology) facilities, opening access to banking financing, and increasing the availability of people's business loans, as well as the opening of types of creative business fields during the Covid-19 pandemic.

Bank lending to the MSME sector during the covid-19 pandemic even increased in the fourth quarter of 2020. This is because the MSME sector is the backbone of the Indonesian economy whose business continuity needs attention and support from the government, so that the government through various policies so that MSME does not get

worse and can survive through economic pressures and continue its business affected by Covid-19. The government has prepared various stimuli through the economic recovery program. Stimulus program by preparing interest subsidies for credit, exemption from Final Income Tax article 25 for 6 (six) months, starting from March 2020, and Allocation of State Equity Participation to State-Owned Enterprises for MSME. In the Economic Recovery Program, the government takes policies to restore MSMEs. One of the policies adopted is to allocate State Equity Participation to State-Owned Enterprises aimed at assisting the recovery of the MSME sector.

The highest inflation occurred in 2013, the main reason being that the increase in fuel prices contributed to the inflation of 1.17%. In-city transportation fares contribute to inflation of 1.75%. Meanwhile, the lowest inflation occurred in the third quarter of 2020, but it was not evenly distributed in line with the development of the COVID-19 case. Indonesia's economy in 2020 contracted 3.5 percent (YoY). This condition was better than the previous quarter, which contracted by 5.3% (YoY). The improvement was driven by the National Economic Recovery Program. Bank Indonesia held the policy interest rate at 4.00 percent to maintain the stability of the Rupiah value and promote economic recovery. Since the third quarter, the Rupiah has been relatively stable, strengthening 1.8 percent from the previous quarter. Inflation developments in the third quarter were low and below the minimum level of the 2020 inflation target.

In the Government Report for Fiscal Year 2020, regarding the implementation of the State Revenue and Expenditure Budget in the first semester of 2020. It was stated that there was a weakening of the rupiah exchange rate due to the spread of the Covid-19 pandemic throughout the world, including Indonesia which caused an increase in the risk of global uncertainty so that investors tended to shift their investment funds to haven assets, such as gold, developed country government bonds, and world currencies, such as the United States dollar. This action resulted in capital outflows from emerging market countries, including Indonesia, which led to the depreciation of almost all world currencies against the US dollar. As of the first quarter of 2020, Indonesia's foreign capital outflows reached 148.5 trillion IDR, or almost three times greater than the capital outflows that occurred during the 2008 and 2013 financial crises. March 2020 fell more than 16,000 IDR per US dollar and depreciated monthly to 15,195 IDR per US dollar. The weakening of the rupiah exchange rate continued until early April 2020 where the rupiah exchange rate reached its lowest level in history at IDR 16,741 per US dollar on April 2, 2020. In 2019, several MSME business sectors occurred in exports amidst challenging economic conditions. Among them are the culinary, fashion, and handicraft sectors. These sectors can survive because they use domestic raw materials that can reduce costs. While at the beginning of 2010, the low export value was caused by several things, such as the weak ability of MSMEs to meet market demand, weak skills in conducting online trade, and lack of access to administrative support to carry out exports. Gross Domestic Product as measured by Per Capita income has an average value of 43,051,619.00 IDR with the Highest Per Capita income of 62,244,120.00 IDR occurred in the fourth quarter of 2020. The highest per capita income occurred in the fourth quarter of 2020 in line with the increase in GDP in the same period. Indonesia's GDP per Capita has increased rapidly in the years following 2000. The World Bank's projection that Indonesia will reach the level of USD 3,000 is considered an important step as this should lead to accelerated development in several sectors such as retail, automotive, property, due to strong consumer demand increased economic growth.

Employment in the MSME sector occurred in the first quarter of 2020, in the difficult situation faced by large corporations. MSME was able to absorb 97 percent of the workforce, which is very encouraging because around 131.398,869 workers were absorbed in this sector before the end of the first quarter when the Covid-19 pandemic spread. in all corners of the country, which resulted in many MSME sectors going bankrupt which resulted in many workers being laid off and furloughed. The absorption of a large enough workforce in the first quarter of 2020 was at least able to stop the growth of unemployment and poverty due to the Covid-19 pandemic.

The simultaneous influence of investment, MSME growth, banking credit, inflation, and the Rupiah/USD Exchange Rate on Indonesian MSME product exports is significant and positive. This illustrates that the five determinants together make a significant contribution in encouraging increasing Indonesian MSME Product Exports with a determination coefficient of 97.36 percent for the last 11 years. The inclusion of MSMEs as part of export activities makes the wheels of the economy move. This is because the goods produced can be distributed and the country earns foreign exchange. This, be seen from the increasing number of MSMEs which continue to

grow every year as well as the support of Bank Indonesia in issuing credit distribution policies that are much simpler and more accessible to MSME players as well as stable inflation control followed by Bank Indonesia policies in regulating the inflation rate which continues to encourage program expansion. MSME business development program that focuses on controlling inflation and reducing the current account deficit. In monetary policy, the Rupiah exchange rate against the American dollar, which is quite stable with a range of fluctuations within reasonable limits, has been proven to have a significant effect on increasing the export value of MSME products in Indonesia.

The influence of investment on the export of Indonesian MSME products is significant and positive. Although other business sectors are having a little difficulty in carrying out operations due to the COVID-19 pandemic, on the contrary, MSME continues to grow. This is evident from the many businesses registered with OSS (online Single Submission), 60% of which are MSMEs. The investment value of MSME is predicted at IDR 10-15 million (Rinaldi, 2020), and can open new jobs for people affected by the pandemic. This is believed to be able to restore the Indonesian economy in the third and fourth quarters of 2020 and is likely to decline again due to the Java Bali PPKM policy (Implementation of Restrictions on Community Activities) in July 2021 and the soaring Covid 19 which has an impact on a decline in economic activity. Based on a survey by the International Labor Organization (ILO), 70% of MSMEs stopped production due to the impact of the COVID-19 pandemic. The cessation of MSME is because MSME is very dependent on the movement of humans as consumers (Tambunan, 2021c). The existence of the Large-Scale Social Restriction Policy and Work From Home caused the number of consumers to decrease drastically. Especially from the demand side, there was a decline in the products produced by MSME, the impact was also felt from the supply side where the number of workers was limited and workers were laid off. Cash flow was disrupted as a result of the difficulty of distributing MSME products, in addition to very limited raw materials and rising prices, thus disrupting the distribution process of MSME products.

The influence of the growth in the number of MSMEs on the export of Indonesian MSME products is significant and positive. MSMEs play a very important role in Indonesia, especially in encouraging economic growth, supporting local economic activities, creating new markets and innovation (Tambunan, 2021c). Its contribution is quite large in maintaining the balance of payments in producing exports, creating the largest job opportunities so that it is seen as a safety valve or savior in the process of national economic recovery. The MSME sector is synonymous with small people who have great potential to eliminate or reduce poverty and unemployment. In line with the Millennium Development Goals (MDGs), if MSMEs are alive, certainly, the economy in this country is also alive. If the economy in Indonesia is alive, the people will prosper. If the micro, small and medium scale economies can be turned on, and their businesses can operate at the level of the small people, and on a large scale it will become a benchmark for the welfare of the community (Tambunan, 2021a). Data from State Ministry of Cooperatives and SMEs (2020), MSMEs as a whole experience good development and growth every year, and in percentage terms the number of MSMEs in Indonesia reaches 99.9% of the total business units.

The influence of bank credit on MSME product exports has no significant but positive effect. This is supported by research by Saini and Rajpurohit (2014), and Rudianto and Susilastuti (2020) which state that one of the drivers of MSME performance is bank lending. The government set several targets for the empowerment of MSMEs, then to realize these targets policy directions were made as outlined in development programs which were implementation strategies with the issuance of Indonesian Presidential Instruction No.7 Policies to restore MSME in any way have been carried out by the government. It should be noted for MSMEs that the Government allocates State Equity Participation aimed at assisting the recovery of the MSME sector. This picture occurs in MSMEs in Indonesia so that MSMEs with the encouragement of the government is still in a lagging position which has an impact on the decline in exports of MSME products. Policies to restore MSME in any way have been carried out by the government. It should be noted for MSME that the Government needs to allocate State Equity Participation which aims to help the recovery of the MSME sector (Abdesamed & Wahab, 2014).

The effect of Inflation on MSME Product Exports has no significant but positive effect on MSME Product Exports. This is in line with the results of research by Akalpler (2016), and Rudianto and Susilastuti (2020) which state that inflation does not affect exports. Inflation is a process of increasing prices, in general, that occurs continuously (UMN, 2016). The increase in prices is generally influenced by several factors such as increased public

consumption, non-smooth distribution of goods, scarcity of goods, resulting in excess liquidity in the market (Samuelson & Nordhaus, 2015). Or in other words, inflation is a condition of a decline in the value of a currency. Inflation is related to the event of an increase in the price of an item, but not every increase in goods is included in inflation. Inflation can be an indicator that is calculated if there is a continuous increase in prices. This price increase caused by an increase in the supply of money (Abdesamad & Wahab, 2014). Inflation uses CPI (Consumption Price Index) and GDP Deflator to measure inflation. Inflation affects business, in MSME conditions the effect is the price of raw materials for MSME products. The effect of inflation is only on the supply of direct raw materials if they have been processed into products, the results of MSME products can be marketed even though the products are marketed at high prices. MSMEs are known to have high resistance to crises because they are generally based on raw materials and have a domestic marketing target (Tambunan, 2021). With many challenges faced by MSME other than capital and access to finance, weak human resource capacity, and limited reach of MSME product marketing. Bank Indonesia continues to encourage MSMEs to participate in various national and international exhibitions to motivate and trigger MSME products to continuously improve the welfare of the community. MSME in Indonesia needs development so that MSME development and business scale can move towards exporting MSME products. To support MSME development, various elements are needed that support MSME development from upstream to downstream, namely through product promotion and easier financing.

The Effect of the Rupiah/USD Exchange Rate on Indonesian MSME Product Exports has a significant and negative effect on Indonesian MSME Product Exports. The weakening of the Rupiah exchange rate against the United States Dollar recently had an impact on the Indonesian economy. Due to global economic uncertainty, many domestic sectors have been affected by the weakening of the rupiah. All industrial scales feel the impact. From the lessons of the 1998 economic crisis that hit Indonesia, the resilience of the MSME sector has become a safety valve in the informal sector. MSME resilience is seen from 1). MSME produces consumer goods and services that are close to people's needs. 2). MSME actors utilize local resources ranging from human resources, capital, raw materials, and equipment. 3) MSME business is not supported by loan funds from banks, but by own funds. These three are closely related to each other (Adrian, 2018). The weakening of the rupiah exchange rate is considered beneficial for some people and one of them is for export-oriented MSMEs.

The influence of Indonesian MSME Product Exports on GDP as measured by Per capita Income is significant and positive. GDP per person is a measure of the average welfare of individuals (Samuelson & Nordhaus, 2015). GDP per capita tells us what is happening to the average population. GDP is a good measure of well-being for many purposes, but not for all purposes. Involving MSMEs in export activities at the same time will have a good impact on the Indonesian economy and can create new jobs. Because MSME is a sector that plays an important role in economic recovery and has a big role in the formation of GDP. The contribution of the MSME sector to GDP has been increasingly visible over the last five years. State Ministry of Cooperatives and SMEs (Kmenkopukm, 2021) was recorded the contribution of the MSME sector increased from 57.84 percent to 60.34 percent. This is by the results of research by Salim, Susilastuti, and Rafiqah (2020) which state that MSME performance affects regional income. MSME has also helped to absorb labor in the country. Labor absorption in the MSME sector grew from 96.99 percent to 97.22 percent in the last five years. With the large number of workers absorbed, the MSME sector can increase the income per capita of the community. According to Adrian (2018), the increase in the number of exports is due to the increase in the production of domestic goods resulting in full employment, as a result, the per capita income of a country increases, meaning that purchasing power also increases. An increase in GDP that is greater than an increase in population will increase per capita income so that purchasing power increases (Maipita & Wahyudi, 2017). In line with this, the Indonesian government places exports as one of the locomotives of economic growth. In Indonesian statistics (BPS, 2019) it is stated that exports of goods and services are the second largest contributor to economic growth after private consumption. The government sets export growth targets in support of economic growth, job creation, and increasing the income per capita. To increase income per capita, even higher, one of the government's efforts is to encourage MSME export activities which are considered capable of boosting Indonesia's GDP per capita. Therefore, the government has prepared a plan to spur exports of MSME products (Rinaldi, 2020). This draft is being followed up by preparing global standards and strong branding provisions for MSMEs. The international trade paradigm always refers to the quality and branding of products from a country. For this reason, it is necessary to guide MSMEs so that they can find out more about global trade

trends. In this case, the government assists the MSME sector to boost exports (Rinaldi, 2020). However, several obstacles faced by the MSME sector have been mapped out, particularly related to access to banking capital. MSME must pay attention to the international standard certification process. The difficulty of obtaining certification requires easy access to facilities that are provided quickly. To boost exports of MSME products. In addition, a partnership is needed by cooperating with large companies and it is hoped that the government can prepare a place to sell MSME products (warehouses) abroad for MSME players. The government's efforts to boost people's per capita income through the MSME sector export are considered to have been successful.

In conditions full of uncertainty, the government continues to commit to providing interest subsidies for MSMEs to pay their installments. The government's contribution is by providing funds to MSMEs in the amount of 2.4 million to each MSME as capital (BI, 2020). The steps taken by the government and its ministries are collaborating with the Indonesian Export Financing Agency, specifically for exports, to encourage and support small and medium-sized businesses to help empower MSMEs amid the COVID -19 pandemic that MSMEs are facing.

The influence of Indonesian MSME Product Exports on manpower absorption in the MSME Sector is significant and positive. This is in line with the research by Rudianto and Susilastuti (2021) which states that MSME exports affect employment in both the short and long term. The definition of labor absorption is interpreted in various ways, but it absorbs labor in the sense of gathering people or workers in a business field (UMN, 2016). Absorption of labor is the capital for the movement of the wheels of development so that the prosperity of a country or region depends a lot on the use of labor as effectively as possible in increasing its productivity (Mulyadi, 2014; Katua, 2014; Tambunan, 2021). In this case, the absorption of labor shows the ability of a company to absorb labor to produce a product. The ability to absorb labor is not the same from one sector to another. Employment must be accompanied by the quality of its human resources to provide limited job opportunities and competitiveness. The local government in this case continues to strive to create job opportunities that will later be able to accommodate or reduce the unemployment rate. Unemployment amid society through the creation of job opportunities in various fields of life. With the amount of energy absorbed, the researcher assesses that the MSME sector can increase people's income. Thus, MSME has a strategic role in fighting poverty and unemployment. However, amid the current COVID-19 pandemic, MSME actors are facing very heavy pressure because they cannot carry out economic activities as usual. The current condition of MSME is the most affected by COVID-19, causing several business actors to be laid off. In 2019, the MSME sector contributed 60% to national income MSME is one of the most effective economic drivers. This year, it is estimated that MSME will be able to contribute around 61% of the National Income despite being affected by a fairly severe pandemic (Kemenkopukm, 2021). MSME actors must be able to adapt to the current conditions affected by the COVID-19 pandemic. The government issued a policy of providing stimulus to help MSME actors. Where the government provides funds for MSME actors with low-interest rates in banks so that there is economic movement in the MSME sector. This is also related to banking, but with the conditions faced by MSME, banks restructured and provided low credit facilities to be used as MSME's capital. The government and its ministries are helping to provide subsidies for People's Business Credit loans with low-interest rates and MSME actors. In conditions full of uncertainty, the government continues to commit to providing interest subsidies for MSMEs to pay their installments. The government's contribution is by providing funds to MSMEs in the amount of 2.4 million to each MSME as capital (BI, 2020). The steps taken by the government and its ministries are collaborating with the Indonesian Export Financing Agency, specifically for exports to encourage and support small and medium-sized businesses to help empower MSMEs amid the COVID-19 pandemic faced by MSME actors (ITC, 2020). With the government's policy, it is hoped that MSME can bounce back, especially in exporting their products, so that MSME actors can re-employ their employees and even absorb new workers. Thus the MSME sector is again the backbone of the Indonesian economy with the potential to absorb more workers or in other words reduce unemployment (Yolanda, 2017a).

Based on the results of research and discussion, conclusions are stated as follows: 1). The stability of the Rupiah/USD exchange rate, growth in the number of MSMEs, increased investment, and increased bank lending to the MSME sector as well as controlled inflation rates have had a very significant impact on increasing exports of MSME products. 2). Exports of various products produced by MSME entrepreneurs contribute greatly to Gross Domestic Product so that it has an impact on increasing people's per capita income. 3). The increasing export value of MSME products encourages MSME entrepreneurs to continue to increase their productivity so that this sector

can absorb significant labor. 4). The performance of MSMEs in the Covid-19 pandemic is shown by the declining value of exports and employment of the MSME sector, but the number, investment, credit value, and contribution to GDP will continue to increase until the end of 2020.

MSMEs in crisis or non-crisis conditions can become the backbone of the Indonesian economy. Due to difficult conditions due to financing, MSME was able to become a safety valve in the informal sector, and in inflationary conditions where purchasing power declined, the MSME sector was able to survive.

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