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IMPLEMENTATION OF RISK MANAGEMENT IN SMEs DURING THE COVID-19 PANDEMIC

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Abstract: The purpose of this research is to identify the risk management process and the sources of risk, to assess the risks that may arise and to analyze the strategies that will be carried out by SMEs in dealing with or managing these risks in the city of Banjarmasin. The number of respondents studied was 30 entrepreneurs using questionnaires and in-depth interviews to dig up information in order to obtain an overview of the strengths, weaknesses, opportunities and challenges faced by the company. The data analysis technique uses SWOT analysis and risk management processes based on ISO 31000 in 2018. The results show that capital risk, human resource risk and raw material risk must be a concern in order to ensure the sustainability of the *Tanggung, Amplang* and *Sasirangan* SMEs business in Banjarmasin City. The owner of the *Tanggung, Amplang* and *Sasirangan* SMEs is the determining factor as an internal risk controller through increasing the ability and knowledge of risk management.

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Index Terms: SWOT Analysis, Risk Management, SMEs.

I. INTRODUCTIONS

Business risk will always accompany business actors as part of changing business patterns, uncertainty, and business competition. Business risk can have an impact on losses, therefore there is a need for risk mitigation for the possible risks faced. Small and Medium Enterprises (SMEs) generally have a less capital background, thus causing risks that result in operational disruptions, financial losses and will even lead to bankruptcy. Although the risks vary, they can be detected early so that the impacts that may arise can be anticipated.

Most SMEs rarely carry out risk management in their business strategies. The decisions made by the owner are usually about how and what to do depending on the financial status of the business owner. In the business world, knowledge of risk management is an important element in business management. With good management, a business institution will be able to avoid losses and even

krupcty. SMEs play a major role in the current economic transition. In this economic transition, SMEs have been recognized as the engine of economic growth and a source of sustainable development that is important for industrial restructuring, opening up new jobs, and creating income for the community, although unemployment is still a growing problem in society [1]. SMEs also have the advantage of being labor intensive and creating added value for other industries and complementing large industries [2]. In addition to playing a role in economic growth and employment, SMEs also play a role in distributing development results [3]. Small and medium enterprises (SMEs) play an important role in the Indonesian economy because they can spearhead the national industry, and absorb a lot of workers. In 2018, the number of SME business actors was 64.2 million units (99.99%), SMEs contributed 60.3% of Indonesia's total gross domestic product (GDP). In addition, SMEs absorb 97% of the total workforce and 99% of the total employment.

One of the roles of SMEs (small and medium enterprises) is to improve the welfare of the community [16]. SMEs are the key to economic development through new job opportunities and the production of goods or services [4], [5]. The economy in the 20th and 21st centuries is different from the 19th century, the emergence of globalization emphasizes the role of SMEs as promoters of a healthy business climate and economic efficiency for developing countries. SMEs are profitable companies because they have the ability to adapt quickly, work with less capital but are more labor intensive and have low management costs [6]. SMEs are like engines for economic growth and eradicating poverty [7]. The new configuration of the world economy supports the expansion and expansion of the SMEs sector [8].

At the end of 2020 there was a pandemic outbreak called the covid-19 pandemic and it had an impact on changing the business world order. The impact of the COVID-19 pandemic was also felt by SME business actors which resulted in a decrease in income, due to restrictions on community social activities. Furthermore, (Firdaus, 2020) revealed that 50% of SMEs from the research population indicated bankruptcy during the COVID-19 pandemic. This risk is experienced by all business actors, so it is necessary to implement risk management. Risk management plays a role in anticipating all possible risks (Sari 2016). Efforts that can be made include: 1) creating changes to seek opportunities for success. 2) Make decisions quickly and accurately. 3) Planned financial management. 4) Careful business planning. 5) Team Management. 6) Execution; and 7) start at the right time. However, not many SMEs have the knowledge and concern about risk management. The research of Safi'i, Widodo, and Pangastuti (2020), reveals that there are 3 (three) high-level risks. The three risks are a decrease in income, a decrease in production, and an increase in raw material prices.

Risk management in SMEs can be based on project risk management or simple traditional risk management which is expected to help SMEs in reducing losses that may be [9]. However, most small and medium enterprises rarely carry out risk management and strategic management in their business. Therefore, the purpose of this study is to identify the application of risk management to SMEs in the city of Banjarmasin, South Kalimantan Province, Indonesia by exploring the sources of risk and analyzing the strategies carried out by SMEs during the COVID-19 pandemic.

1.1. The role of SMEs

The role of small and medium enterprises (SMEs) in the Indonesian economy can at least be seen from: (1) their position as a major player in economic activities in various sectors, (2) the largest provider of employment, (3) an important player in the development of business activities. Local economy and community empowerment, (4) creating new markets and sources of innovation, and (5) contributing to maintaining the balance of payments through export activities [3]. There are four reasons that explain the strategic position of SMEs in Indonesia. First, SMEs do not require large capital as large companies so that the formation of this business is not as difficult as large businesses. Second, the required workforce does not require certain formal education. Third, most of them are located in rural areas and do not require infrastructure like large companies. Fourth, SMEs are proven to have strong resilience when Indonesia is hit by an economic crisis [2].

The main actor of national development in many countries is SMEs, many studies show the importance of SMEs for the economy of a country. Several programs and policies to support and enhance innovation and entrepreneurship are implemented by governments in many countries in the world [6]. SMEs globally have contributed to the availability of goods and services for the community, without SMEs large companies may not be able to optimally meet the demand for goods and services [7]. SMEs become a balancer in micro and macro economies as well as counterbalance monopolies and oligopolies and become a counterweight to large companies in market control [8].

1.2. SMEs during the covid-19 pandemic

The results of the Katadata Insight Center (KIC) survey that the COVID-19 pandemic caused 63.9% of SMEs to be affected experienced a decrease in turnover more than 30%. Only 3.8% of SMEs are increased turnover. Survey The KIC also shows SMEs do a number of efforts to maintain business conditions. They do a number of efficiency measures such as: reduce the production of goods/services, reduce working hours and amount employees and sales channels/marketing. Even so, there is also SMEs taking steps on the other hand, adding channels marketing as part of strategy survive (Katadata.co.id, 2020)

Survey from several institutions such as BPS, Bappenas, and the World Bank shows that the pandemic This causes many SMEs difficulty paying off loans and pay electricity, gas, and bills employee salary. Even some in some of them are forced to have to layoffs. Another obstacle that experienced by SMEs, including the difficulty obtain raw materials, capital, customer decline, distribution and production is hampered. Besides that, changes in Consumer Behavior and Business Competition Map too perpetrators need to anticipate business due to restrictions activity. More consumers doing activities at home with utilizing digital technology. While the landscape changes new industry and competition map characterized by four characteristics business namely Hygiene, Low-Touch, Less Crowd, and Low-Mobility (CNBC Indonesia, 28 April 2021).

From these conditions, it can be seen that the SMEs sector which the majority of the perpetrators are citizens the lower middle class is affected due to the Covid-19 pandemic. A successful company in the era pandemic is a company which can adapt to four these characteristics. Businessmen including SMEs need to innovate in producing goods and services according to market needs. These business actors can also grow various new business ideas and ideas can contribute as a solver social and economic problems due to the impact of the pandemic.

1.3. Risk Management

Risk management is a risk control system and protection of property, property rights and profits of business entities or individuals against possible losses due to a risk. Risk management describes the framework as a managed process for strategy formulation and the process of managing risk to realize company goals [10]. Risk management consists of eight related components, namely: internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, monitoring [11]. Risk management is an ongoing process which, if described, is as follows [12]:

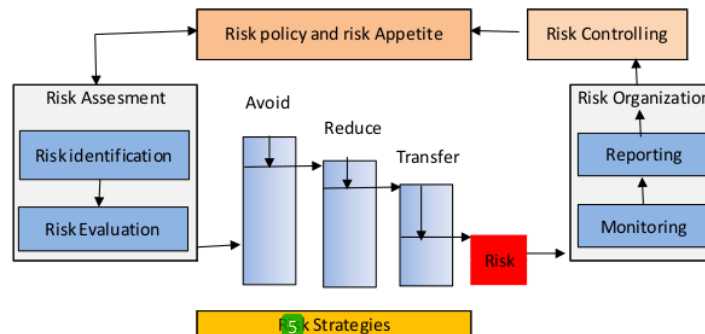


Figure 1. Risk Management Process.

Risk management is important to secure business capital, so risk management does not prohibit risk taking but what is important is understand risk and involve risk in the development and growth of the company. The application of risk management contains continuous actions regarding awareness, identification, evaluation, development of risk management, decision making with methods according to the implications. The essence of risk management is the systematic flow of each step. Risk management in SMEs should not be an individual program but must be integrated with other management processes (business strategy planning, human resource management, financial management and customer relationship management) [9].

II. METHODOLOGY

The population of this research is all SMEs business owners in Banjarmasin City. Based on this population, a stratified random sampling method was used for the sampling method of SME business actors. This is done to reduce the error rate. The use of this sampling method is because the SMEs that are the subject of research are SMEs with different types of businesses and occupying different geographical locations. This research focuses on SMEs Home industry products *Tanggui* (*Tanggui* is a typical Banjarmasin hat that is large in size, made of palm or sago palm leaves), *Amplang* (typical snack food culinary products, made from home-made mackerel fish) and *Sasirangan* (*Sasirangan* is a traditional cloth made in South Kalimantan). According to Roscoe (1975) quoted by Uma Sekaran (2006). To obtain good results, the number of samples is between 30 and 500. So the number of samples used in this study is 30 SMEs for home industry products of *Tanggui*, *Amplang* and *Sasirangan* in Banjarmasin City.



Fig. 2. *Tanggui*
Source: kanalkalimantan.com



Fig. 3. *Amplang*
Source: castromarina.info



Fig. 4. *Sasirangan*
Source: Traveltempo.co

The method of data collection in this study was carried out by 2 (two) methods, as follows:

1. Survey. This method is used to develop and test a risk analysis model effort. The target of the survey is to collect data on risk weighting which is the perception of SMEs owners. In addition, survey methods were also carried out to get the weight of each business risk factor.
2. In-depth Interview. Conducted to determine public perception of business risk analysis. In this in-depth interview, information will be obtained about the business problems that SMEs are experiencing and the potential for business risk management from MSME Home industry for *Tanggui*, *Amplang* and *Sasirangan* products in the City Banjarmasin. The data analysis technique in this study uses a risk management process based on ISO 31000 in 2018. The stages of analysis in this study are as follows:

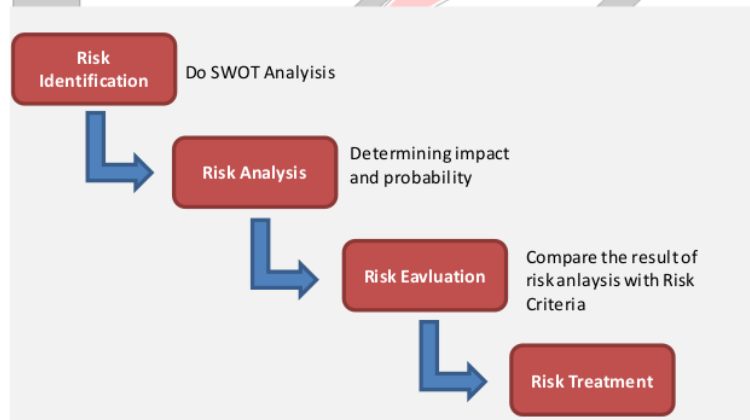


Figure 5. Analysis Stage

III. RESULTS AND DISCUSSION

The first stage in data analysis is to identify risks through a SWOT analysis so that it is known the strengths, weaknesses, opportunities and threats faced by the *Tanggui*, *Amplang* and *Sasirangan* products SMEs in Banjarmasin City. An important factor in SWOT analysis is extracting information related to internal and external factors:

- a. Internal factors that affect the formation of Strength and Weakness (S and W). This factor is related to the conditions that occur in SMEs;
 - I. Internal factors that affect the formation of Strength:
 - 1). Harmonious relationship between owner and employees.

- 2). Products are handmade products that are of high quality and favored by consumers, especially foreign consumers.
 - II. Internal factors that affect the formation of Weakness:
 - 1). The price of raw materials is getting more expensive.
 - 2). Limited funding because only partially received assistance from the local government/bank
 - 3). Financial management that is still conventional
 - b. External factors that affect the formation of Opportunities and Threats (O and P). This factor is related to conditions that occur outside of SMEs
 - I. External factors that affect the formation of Opportunities:
 - 1). Government program to maintain the sustainability of SMEs during the COVID-19 pandemic
 - 2). The existence of people's business credit facilities for all business fields during the covid-19 pandemic
 - II. External factors that affect the formation of Threats:
 - 1). Uncertain business map changes during the covid-19 pandemic Instability of the economy
 - 2). Lack of innovation in high business competition
- The second stage is to make an analysis with a risk matrix based on the results of risk identification. The following is the risk matrix for *Tanggung, Amplang* and *Sasirangan* products SMEs is presented in Figure 6:

Risk Analysis Matrix 5 x 5			Impact level				
			1	2	3	4	5
			Ingnifikan	Minor	Moderat	Signifikan	Catastrophic
Likelihood level	5	Almost Certain	17	10	6	HR Risk	Capital Risk
	4	Likely	20	13	8	Row Material Risk	2
						4	
	3	Possible	Machine Risk	15	Process risk	7	5
			22		11		
2	Unlikely	24	19	14	12	9	
1	Rare	25	23	21	18	16	

Figure 6. *Tanggung, Amplang* and *Sasirangan* products SMEs Risk Matrix

The third stage is based on the risk matrix, a risk evaluation is carried out. There are three risks included in red, namely capital risk, human resource risk and raw material risk. The red color (unacceptable) means that risk treatment must be carried out immediately even though the cost is expensive because it involves the continuity of the company so that capital risk, human resource risk and raw material risk become the main focus because these risks have a major impact on SMEs *Tanggung, Amplang* and *Sasirangan* in Banjarmasin City. One risk is included in the yellow color category (issue), namely operational risk, meaning that risk treatment needs to be carried out so that the risk is minimized. One risk is included in the green color category (supplementary issue), namely machine risk, meaning that risk treatment needs to be carried out so that the risk is minimized.

The last stage is risk treatment, based on the root of the problem obtained from the SWOT analysis and risk identification, then risk mitigation is carried out to reduce its impact with the contingency plan method to find solutions. The following table 1 presents the results of the treatment of the risks faced by the *Tanggung, Amplang* and *Sasirangan* SMEs in the Banjarmasin City.

Table 1. Treatment of Risk

Risk	Risk Level/Zone	Solution	How	Who
Modal	Very high (red)	Get a loan or assistance from the local government/bank	Good financial records/administration (bankable)	Owners and employees
HR	Very high (red)	Attend training/ workshops	Owners and employees are always actively involved in the SMEs community so that they always get information about SMEs training	Owners and employees
Raw material	Height (red)	<ul style="list-style-type: none"> Do resizing Raw material stock 	Has a special place for raw materials	Owner
Operational process	Medium (yellow)	Creating a network	Expanding coverage/area to get raw material supply	Owner
Equipment machine	Low (light green)	Using new equipment/machines and the use of the latest technology	Purchase the latest machines/equipment by using capital assistance from the government and capital loans from banks	Owner

Based on the results of the study, it was shown the importance of digging up information related to the strengths, weaknesses, opportunities and threats faced by the *Tanggung, Amplang* and *Sasirangan* SMEs in the Banjarmasin City so that a risk mapping could be carried out on the use of SWOT analysis to determine the company's strategic direction. The role of batik

owners/entrepreneurs in increasing product innovation and marketing innovation is an important factor of batik business efficiency so that it can reduce risks that may arise and the results of this study are in line with research results. Quadruple helix synergy is very important for the progress of *Tanggung, Amplang* and *Sasirangan* in Banjarmasin City, this recommendation is in line with research results [13]. Local governments are expected to be able to provide support for the success of batik MSME programs that were initiated independently and collectively. The orientation of innovation, customers, suppliers, networks and absorption capacity play a role in reducing the risks that arise in the *Tanggung, Amplang* and *Sasirangan* SMEs so as to lead to business sustainability, these results are in line with research results.

Risk management with risk identification can classify for decision making for SMEs Capital risk, human resource risk and raw material risk are a concern for SMEs *Tanggung, Amplang* and *Sasirangan* in Banjarmasin City, these results prove the results of five studies, that research on SMEs risk now appears new risk management related to project risk management, strategic risk management and management supply chain risk. SMEs *Tanggung, Amplang* and *Sasirangan* need to build simple internal control through owners for the supervisory function, these results are in line with research results which show risk management is important for SMEs to reduce exposure to business loss.

IV. CONCLUSION

The results showed that the *Tanggung, Amplang* and *Sasirangan* SMEs in Banjarmasin City based on risk management analysis were faced with capital risk, human resource risk and raw material risk which were the main concerns to ensure business sustainability. The owner of the *Tanggung, Amplang* and *Sasirangan* SMEs is the determining factor as an internal risk controller through increasing the ability and knowledge of risk management.

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