

Impact of the COVID-19 pandemic on MSMEs

Round 2

(Data collected in the month of July and August)

Indonesia report

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Indonesia country report



This report is the second in the series of the proposed three-round study being conducted by MSC to assess the impact of COVID-19 on MSMEs in Indonesia. The first round of the study was conducted at the onset of the COVID-19 pandemic in Indonesia. The report for the first round can be accessed [here](#). In the second round of the study, we conducted quantitative interviews with 359 MSMEs and qualitative interviews with 15 MSMEs. Our team completed the data collection process in July and August to assess the impact on MSMEs as the government was easing off some of the initial lockdown restrictions. The data for Round 1 was collected in April/May. The last round of the study is proposed to be conducted during early 2021 or at a time when the impact of pandemic starts to taper down in the country.

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Indonesia

In June, 2020, the Government of Indonesia (Gol) eased large-scale social restrictions in Jakarta, followed by similar relaxations in other major cities in Indonesia. Since then, such relaxations have been re-imposed every two weeks to mitigate the spread of the pandemic as COVID-19 cases continue to rise.

MSMEs in Indonesia have been trying their best to operate in these uncertain times.

In a bid to deal with the impact of the COVID-19 pandemic, Gol launched the National Economic Recovery (PEN) program in the third quarter of 2020. One of the critical interventions of the program is to support the Micro, Small, and Medium Enterprises (MSMEs), a segment that forms the backbone of the Indonesian economy. [The Financial Service Authority \(OJK\)](#) also extended its loan restructuring program announced in March (under POJK 11/2020). The program was previously set to end in February 2021. Under the latest announcement, the program will be extended up until March 2022.

01 Background and context



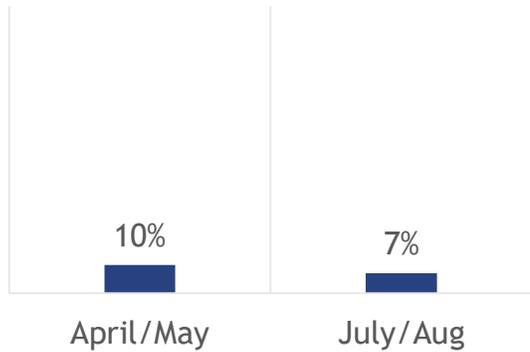
Several measures that the Government of Indonesia has taken in the last few months align with MSC's recommendations from Round 1

Enhancement of digital capacities	Liquidity support for MFIs	Financial support for MSMEs
<ul style="list-style-type: none"> The Ministry of Cooperatives and MSMEs (MoCMSME) collaborated with private sector players (Grab, Blibli, Lazada, and Bolu) and development partners (Mastercard Center for Inclusive Growth and Mercy Corps Indonesia) to build digital capacities of MSMEs Bank of Indonesia (BI) announced strategic measures to strengthen MSMEs. Developing a broader acceptance of QRIS as a digital payment channel for MSMEs is one such critical measure. BI plans to host onboarding webinars for MSMEs with support from relevant government ministries and agencies. 	<ul style="list-style-type: none"> Under the National Economy Recovery Program (Program Pemulihan Ekonomi Nasional/PEN), Gol provides liquidity support for cooperatives through LPDB*. The amount of support provided is IDR 2-50 billion (USD 3.5 - 137 million), at an interest rate of less than 3%. 	<ul style="list-style-type: none"> Gol announced direct cash assistance of IDR 2.4 million (USD 166), through bank account transfer. The program targets 12 million MSMEs. The Provincial Government of Jakarta and state owned-banks, such as Bank Mandiri and Bank BTN, collaborated with FinTechs to distribute loans to MSMEs in Jakarta. The government will assign state-owned credit insurers Jamkrindo and Askrindo to provide guarantees for banks to channel loans to MSMEs until November, 2021. The program targets 60.6 million MSMEs from all business sectors. Gol announced rent rate readjustments for MSMEs and cooperatives that rent state property and have experienced a reduction in sales due to the large-scale social restrictions in place.
<p>MSC recommended public-private partnerships to build the digital capacities of micro-enterprises, especially women entrepreneurs, as they try to adjust their businesses to the relaxation of the restriction</p>	<p>MSC recommended liquidity support from the Gol to cooperatives and credit unions, which play an essential role in the recovery of microenterprises with their last-mile outreach</p>	<p>MSC recommended the expansion of channels to distribute subsidized loans (KUR and UMI) through FinTech and non-banks channels</p> <p>MSC recommended that Gol should develop a credit guarantee program to encourage private sector lending for the MSMEs</p> <p>MSC recommended the Gol to offer rent holidays for MSMEs that rent property from the government</p>

LPDB or *Lembaga Pengelola Dana Bergulir* is the Agency for Revolving Fund Management for Cooperatives and Small and Medium Enterprises, under MoCMSME

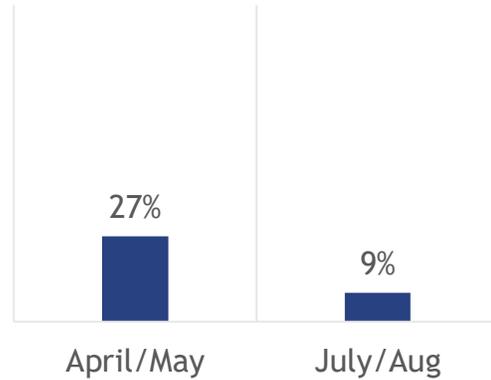
Summary of findings

7% of the MSMEs reported being closed temporarily or permanently



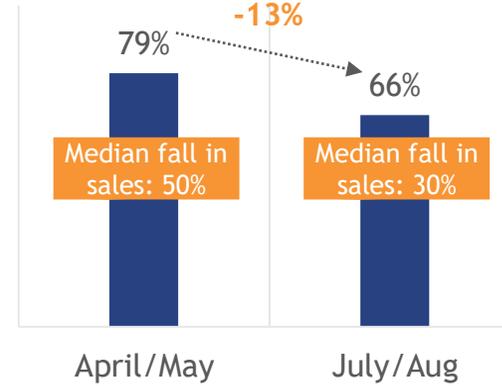
The percentage of MSMEs that have shut operations either temporarily or permanently due to the pandemic has seen a marginal decrease as lockdown restrictions were relaxed since their introduction in the first quarter of the year

Only 9% of MSMEs continued to experience a disruption in supply chain



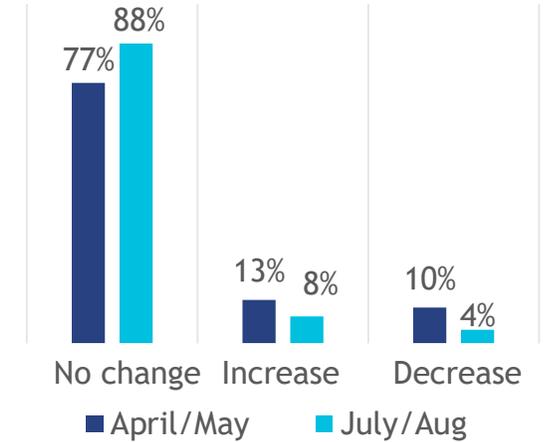
Disruptions in the supply chain have reduced significantly as the suppliers adjust their logistics arrangements in the ease of restrictions

66% of MSMEs still experienced a fall in sales volume



While the sales volume are yet to reach the pre-pandemic levels for around two-thirds of the MSMEs, but the signs of recovery shows that the median value of fall in sales volume has reduced to 30% in July as compared to 50% in April

Adoption of digital payments continues to be low



A large majority of microenterprises have limited access and capacities to conduct digital payment transactions



02 Recommendations

Build a database of MSMEs and accelerate digital adoption

Measures to improve the targeting of MSMEs

Key insights

- The realization of National Economy Recovery (PEN) has been slower than expected. As per early September, the incentive realization for MSMEs has been only 14%. One of the key reasons for the low realization is the lack of a dependable mechanism to identify MSMEs that are eligible for government support.
- As a state-owned bank, BRI has adopted an innovative approach to identify and target MSMEs. It has collaborated with super apps (Gojek and Grab) and e-commerce platforms (Tokopedia, Bukalapak, and Shopee) to speed up the distribution of loans to eligible merchants under the PEN mandate.

Recommendations

- The Government of Indonesia (GoI) should encourage the digitization of MSMEs' data through self-registration. Such data could improve the targeting of the GoI program for MSMEs in the future. Programs should incentivize MSMEs and simplify procedures to encourage MSMEs to formally register with the government.
- For effective targeting of informal enterprises, the GoI could use multiple databases: QRIS merchants (BI), e-commerce merchants (Tokopedia, Bukalapak), MFIs (with national-level presence), wet market associations (ASPARINDO), and BUMDES.
- Since more than 95% of citizens in Indonesia have recorded their biometric data in the national ID database, the GoI can extend biometric-based e-KYC using the national ID database to facilitate non-face-to-face verification of micro-entrepreneurs.

Measures to accelerate digital adoption

Key insights

- Entrepreneurs cited a lack of familiarity with technology and the high cost of internet access as reasons for not using the digital platforms or digital micro-payments. Going digital is a crucial way for MSMEs to be able to survive, especially after the ease of restriction.
- The benefits and features of the digital platform need to be communicated intensively to MSMEs. Digital platforms can help MSMEs to cope with a similar crisis in the future.

Recommendations

- The GoI can incentivize telecommunication providers through tax breaks to deliver affordable internet connections and smartphones to MSMEs, especially for women-owned businesses that have relatively lower access levels. The program could further be linked with affordable financing options through designated financial service providers
- While multiple programs are being undertaken to accelerate digital adoption among MSMEs, the GoI should also devise certain minimum standards of cybersecurity, fraud detection, and grievance resolution for service providers—especially telecom providers and payment service providers. Growing evidence suggests instances of frauds on digital platforms have increased since the onset of the pandemic

Digital micropayments: interbank transfers, e-money top-up charges, and QRIS MDR rates

Expand the market access and ease the burden of expenses for MSMEs

Measures to track implementation and impact of policy measures

Key insights

- The PEN program of the GoI consists of a series of measures that would support the ailing MSME sector; however, the realization remains low.
- The GoI should track the support measures accessed by MSMEs at a consolidated level to maximize the impact of such programs. The tracking would allow it to further streamline the delivery and targeting of such programs.

Recommendations

- GoI should utilize big data analytics to analyze the overall reach and effectiveness of its support measures for MSMEs. The data could be analyzed for different sectors, size of enterprises, and geographies. Unique identifiers, such as e-KTP, business identification, or tax identification numbers could be used to analyze and consolidate data.
- GoI should conduct telephonic or online primary surveys, especially in cases where the uptake or adoption of a particular support measure is low to build a feedback mechanism that helps to streamline program design and delivery. GoI should also consider operating a helpline number for MSMEs that face issues in accessing support measures announced by the GoI.
- GoI should also use local channels, such as post offices, BUMDES (village enterprises), and cooperatives to increase awareness on various enterprise-support measures announced at the provincial as well as national level.

Measures to accelerate digital adoption

Key insights

- Supply chains have been improving after the relaxation of social restrictions; however, the minimum order requirement from some suppliers have put MSMEs at a disadvantage, especially those with limited working capital.
- MSMEs need support from the government to connect with potential buyers to expand their choices with regard to suppliers.

Recommendations

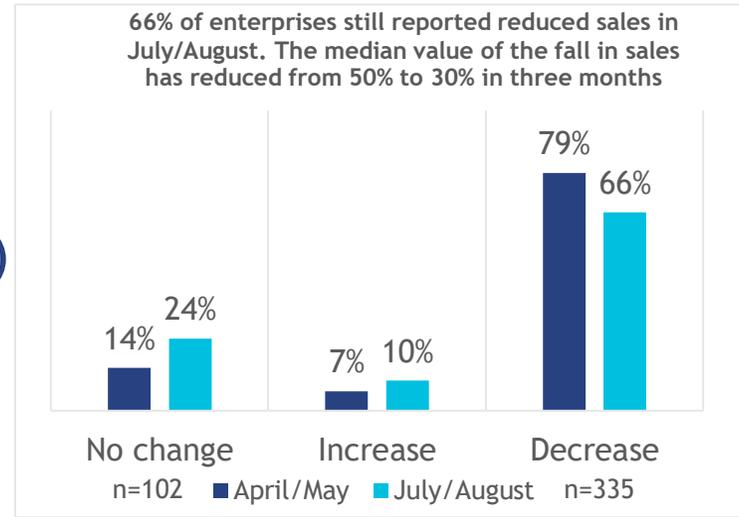
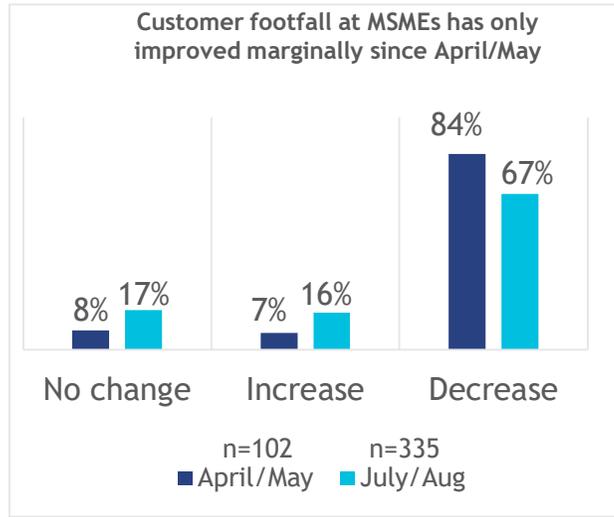
- The GoI should collaborate with established private sector entities to increase the adoption of digital supply chain platforms, such as [GrabMerchant](#).
- GoI may consider providing such solutions for *e-Warung* and *e-Warung* KUBE agents to ensure deeper penetration of such digital platforms.

e-Warung and e-Warung KUBE agents are microenterprises that are appointed to support the disbursement of G2P programs, especially PKH and *Kartu Sembako* program



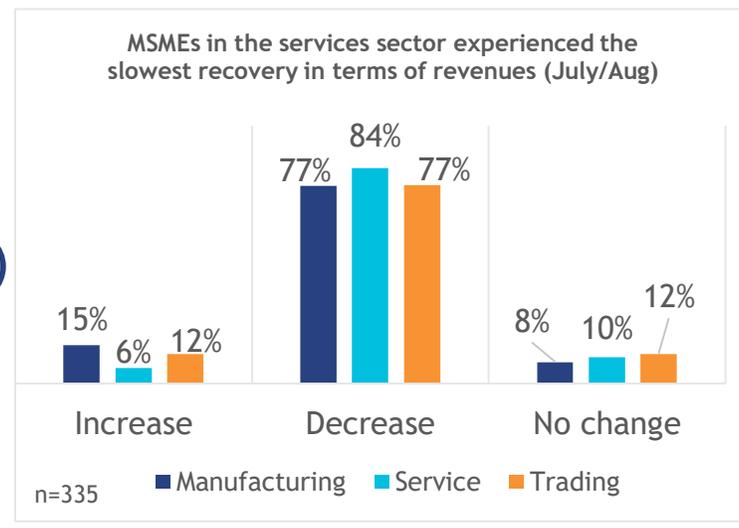
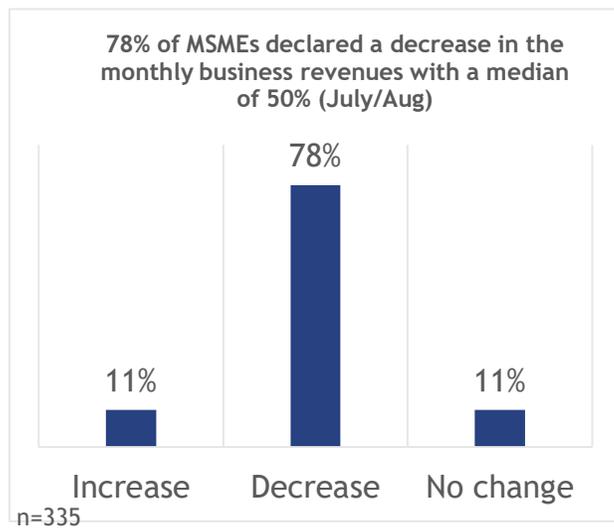
03 Insights on the impact of COVID-19 on MSMEs

Businesses have been recovering with increasing customer footfall but sales continue to be low; 88% of MSMEs anticipate the impact of COVID-19 to last for at least next 12 months



Revenues increased by 10-20% compared to April/ May

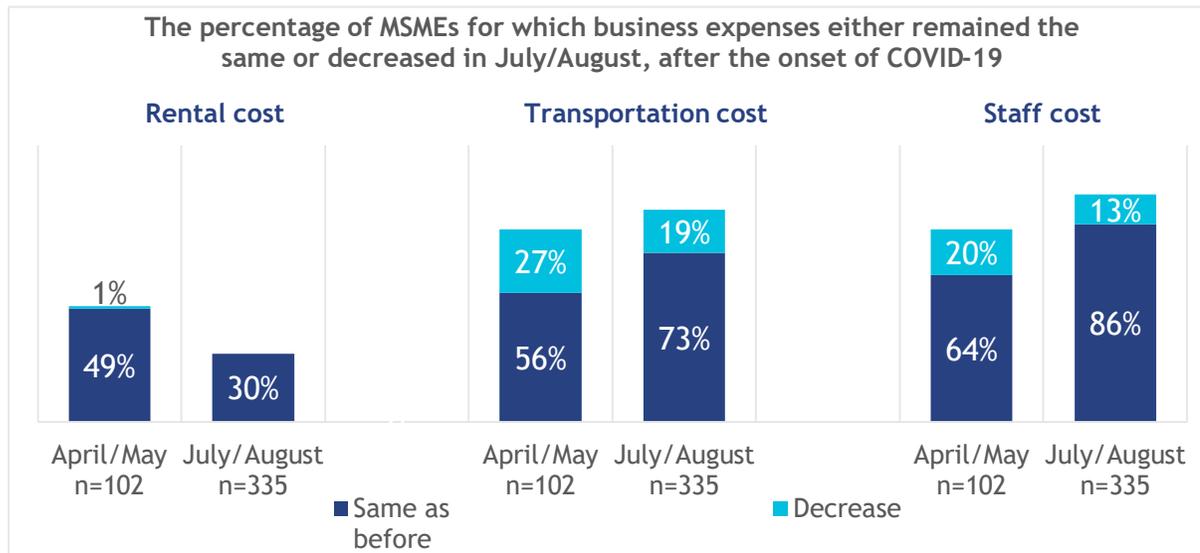
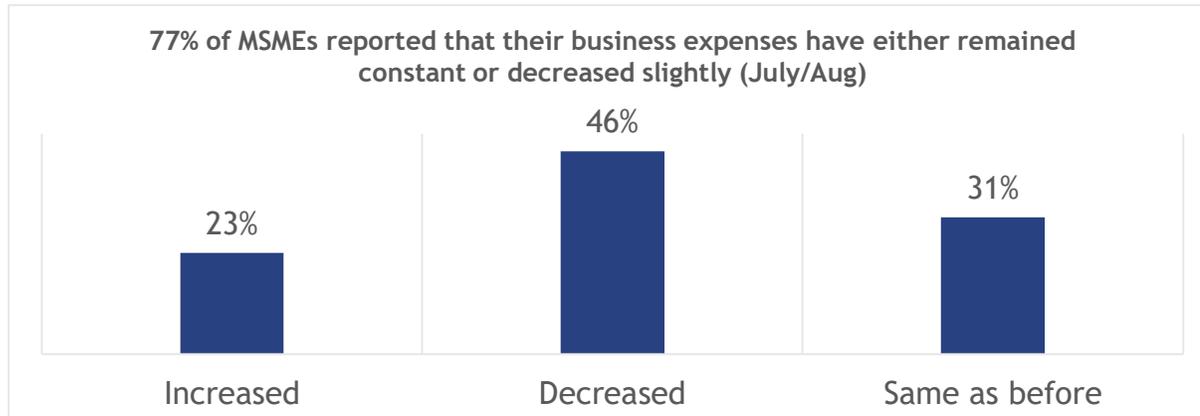
- MSMEs in the trading sector reported that they closed business operations temporarily for a median of 21 days after April/May, 2020, as compared to that of 14 days for MSMEs in the service sector.
- 22% of MSMEs in the rural areas cited an increase in the number of customer footfall, as compared to only 11% of MSMEs that reported such increase in the urban areas.
- 71% of urban MSMEs reported a reduction in sales compared to 62% of MSMEs in rural areas.
- 88% of MSMEs anticipate that their sales will remain affected for at least 12 more months.



“I have closed my shop since April. Recently I have opened it again. I hope the upcoming MotoGP event will bring tourists back here soon.” - A souvenir trader in rural Lombok

Note: This data represents the change in the given parameters between the two phases of the MSC study

Business expenses have decreased by 14% but this is not enough to compensate for the 30% reduction in the volume of sales



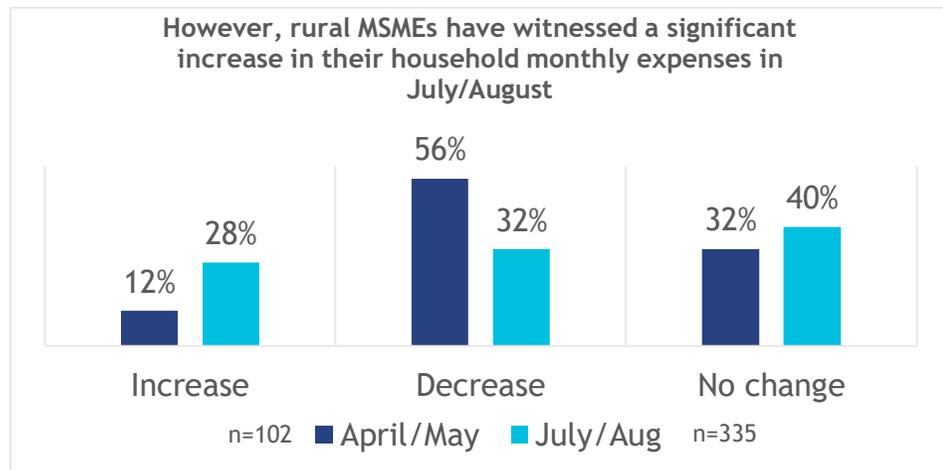
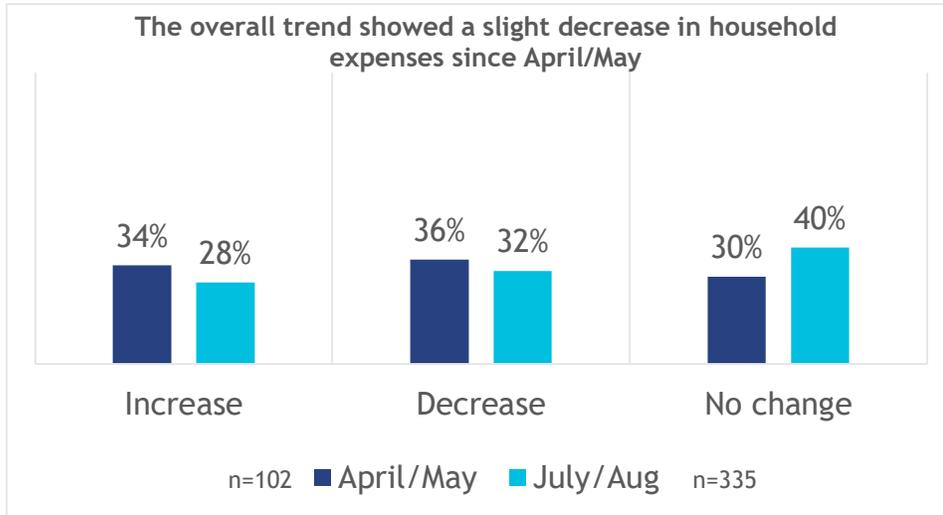
For a large majority of MSMEs business, expenses have either decreased or remained the same

- 77% of MSMEs reported that their utility¹ costs either decreased or remained the same as pre-COVID levels. The government launched [an electricity bill waiver program to support MSMEs, and relieve some of their financial burden.](#)
- A few MSMEs have reported switching to online business operations, which increased their internet bills.
- Around 16% of MSMEs with more than three employees reduced the number of employees to cut expenses and involved their family members to assist in the business.
- To comply with the government’s health protocols, MSMEs have been buying health kits². Compared to April/May, [the prices of health kits have reduced to normal levels.](#) However, these kits remain an additional cost for MSMEs.

¹ Utility costs include electricity, water, telephone, etc.

² Health kit includes masks, hand sanitizer, disinfectant, and plastic to shield to avoid direct interaction with customers

Household expenses for MSME owners in rural areas is higher compared to their urban counterparts, as more urban workers return home to stay with their family



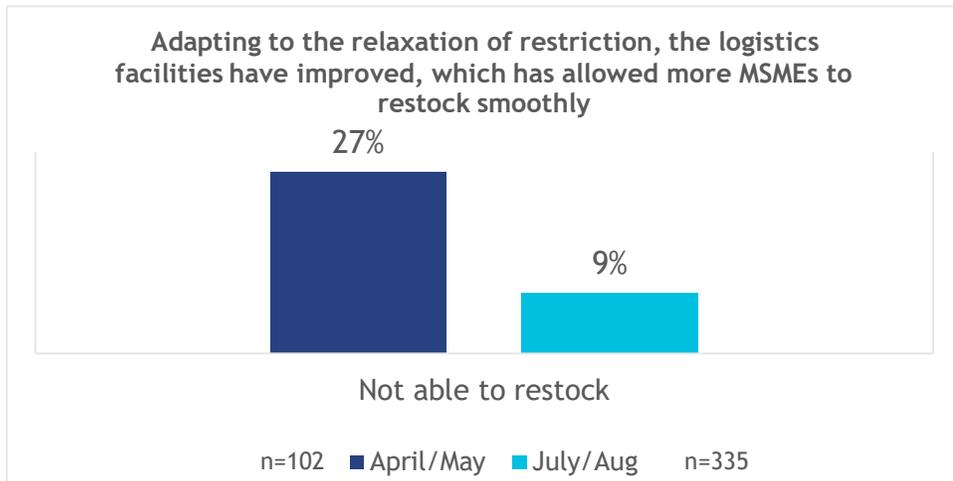
Rural MSMEs reported an increase in household expenses in July/August as more urban workers returned home due to lack of work in the cities

- The business income and the household income is considerably fungible for micro and small entrepreneurs and thus a decrease in the former has shown a direct impact on the latter, with 80% of MSMEs reporting a decrease in household income.
- The massive migration of people from urban to rural areas during the restrictions has meant that rural households have more members to feed, thus increasing their household expenses.
- MSMEs have used their savings or relied on their family's assistance to cover their expenses. They note that their savings may last for the next 2-4 months.

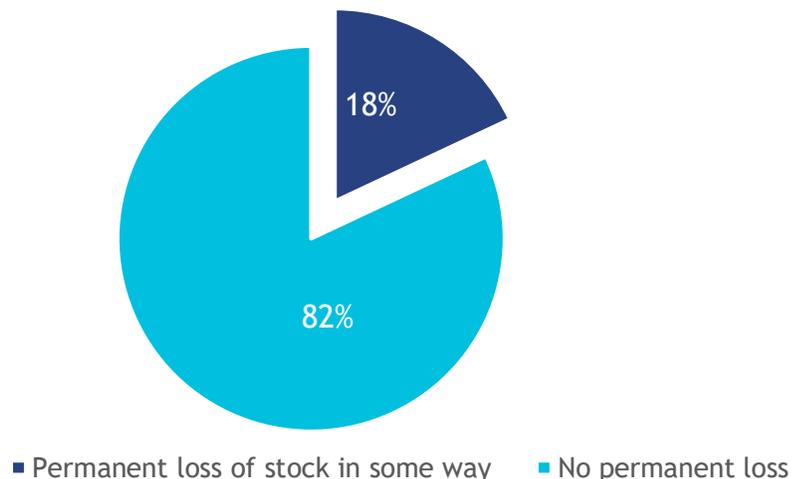
“90% of my business income is gone. Now, any income for my household is only sufficient to bring food to the table for my family.” - [Kristofan, a restaurateur from Bekasi](#)

“During the pandemic, I still paid the tuition fee for my children in the nursery school even though she is learning from home. Now, I have completely stopped paying for her school fees to reduce my expense.” - [Abrian, a caterer from Bogor](#)

The impact on the supply chain has improved compared to April, 2020 but rural MSMEs and MSMEs without access to finance continue to face challenges



18% of MSMEs reported that they suffered permanent loss from unsold stocks



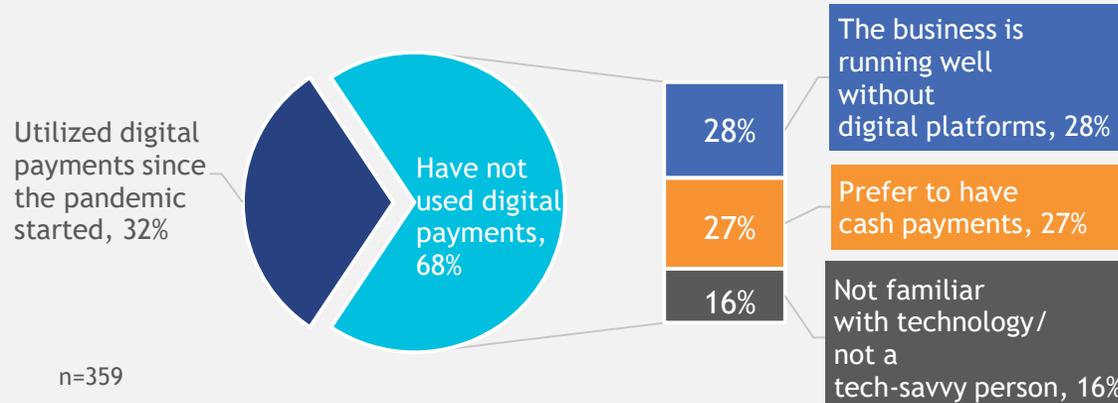
Supply chains have been improving but have not normalized yet

- MSMEs suffered losses worth a median value of IDR 500,000 (USD 35) in July/August due to low demand during COVID-19, compared to April/May.
- 77% MSMEs reported no change in the way they receive supplies now compared to pre-COVID times.
- In April/May, 38% of MSMEs had reported an increase in the price of goods. This has now stabilized as only 18% reported an increase in the price of goods, possibly due to the easing off social restrictions.
- However, 20% of rural MSMEs still experience an increase in the cost of supplies. Suppliers have started to raise minimum order requirements, making it difficult for MSMEs with limited working capital to restock.

“I do not have any issue with stock supply, but unfortunately, I do not have enough working capital to buy it. The price have increased by 10% compared to April.” - Abu, owned a clothing business in Yogyakarta

The adoption of digital payments continues to be low among most MSMEs

68% of MSMEs do not use any digital payment medium to accept customer payment since the pandemic started

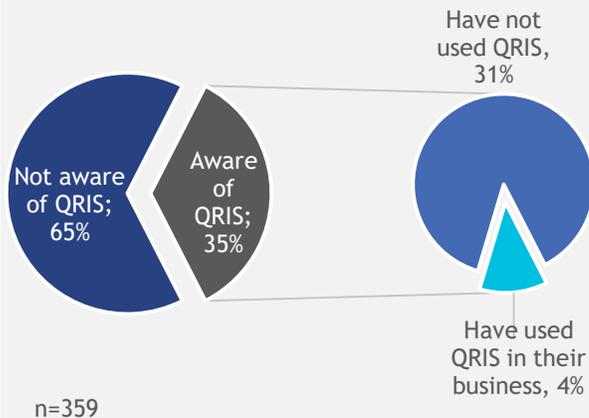


Most MSMEs are not prepared to go digital

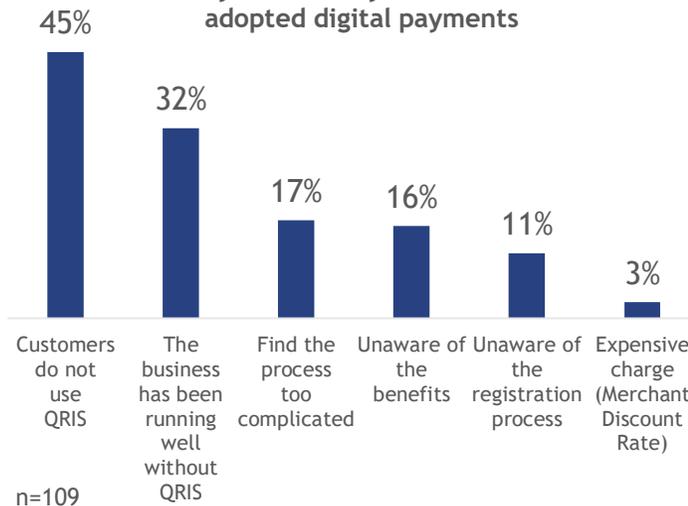
- The Central Bank of Indonesia stated that the adoption of digital payments in Indonesia has risen to 65% during the pandemic. However, only 32% of MSMEs in this study reported using digital means to accept payments from customers, electronic banking² being the most preferred mode.
- Some entrepreneurs felt that process of QRIS is too complicated (17%). However, close to half of them believed that their customers do not use the mobile banking/payment solution (45%) and hence QRIS may not be very useful for them.
- 70% of MSMEs chose not to use digital means to pay to their supplier for the same reason why they did not use it for customers.
- MSMEs who experienced issues in using digital payments cited that they were unfamiliar with technology (44%) and are unable to afford the high cost of internet access (13%). The percentage of rural MSMEs that reported connectivity issues (18%) was much higher compared to the urban MSMEs (3%).

“We are not familiar with payment technology, especially my employees. We think it would be difficult for us to double-check the payments and it can be a hassle. Our customers also prefer to pay in cash. In the future, maybe we will use it.”
- **Ati, a female entrepreneur from Cianjur**

35% of enterprises reported that they were aware of QRIS¹, but only 4% of them used it for their business



The lack of a felt need or value proposition is a key reason why MSMEs have not adopted digital payments



¹ QRIS: Quick Response Code Indonesian Standard

² Electronic banking, such as internet banking, SMS banking, mobile banking, and debit or credit card, among others.

Entrepreneurs who used digital platforms, such as WhatsApp and Facebook, saw 20% of their overall sales in July/August happen online

Social media

Social media is the primary channel to drive sales

- MSMEs prefer WhatsApp, Facebook, and Instagram to drive sales. Around 7% of MSMEs owned a “WhatsApp for Business” account to support sales in their business. WhatsApp launched [a training program for SMEs](#) to help them to display their catalog through a hyperlink.
- 36% of MSMEs have not used any digital platform during the pandemic. This is because they prefer to interact in person, have low trust in the security of the payments, and feel that the charges are expensive.
- MSMEs that used a digital platforms during the pandemic faced following issues, such as lack of technical capacity (16%), high cost of internet access (16%), low internet signal (11%), and difficulty in understanding the user interface of the digital platform (5%).
- Male entrepreneurs (57%) prefer to connect with the suppliers through the phone, while female entrepreneurs (63%) prefer to interact with the suppliers in person.

“Super apps”

The digital payment features and delivery service are competitive advantages of super apps

- Super apps in this study refer to Gojek and Grab, two ride-hailing platforms that provide multiple services, including transportation, payments or financial needs, and daily needs.
- Urban MSMEs that deal with essential services use super apps to support their sales. These super apps feature digital payment and contactless delivery service to help both MSMEs and customers adhere to the health protocols.
- To help MSMEs to go digital, Gojek has launched e-commerce solutions, such as [GoToko](#) and [Selly](#), while Grab launched [Merchant Self Onboarding](#) tool and [TerusUsaha](#) to support digital capacity-building.

e-commerce

e-commerce may not be a primary sales channel, but it can compel MSMEs to step-up their game

- e-commerce is one of the options to boost sales but its usage is low compared to social media. The registration process for an e-commerce platform takes time and mandates several requirements. The number of MSMEs that used e-commerce in July/August is lower compared to April/May. Some MSMEs switched their business to become O2O (online-to-offline) using their e-commerce platform.
- High competition in e-commerce drives MSMEs to improve their products and services and its marketing and promotion.

“I saw plenty of competitors in Shopee, and I have to do better. So I develop attractive packaging for my bracelet, take good pictures of it, and reduce the price. Now I can earn IDR 1 million from online sales, mostly Facebook and Instagram.” - [Jauhari, a souvenir trader from Lombok](#)

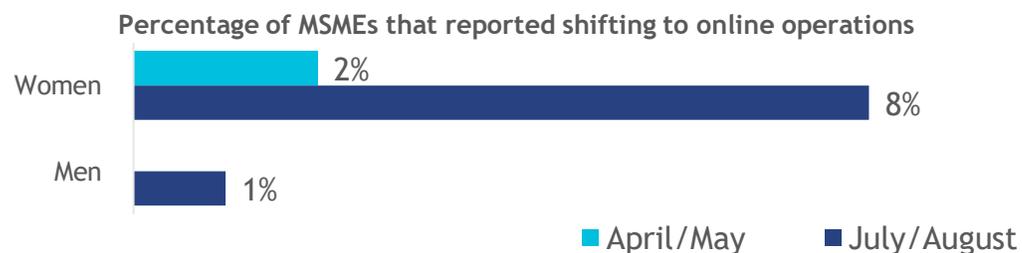
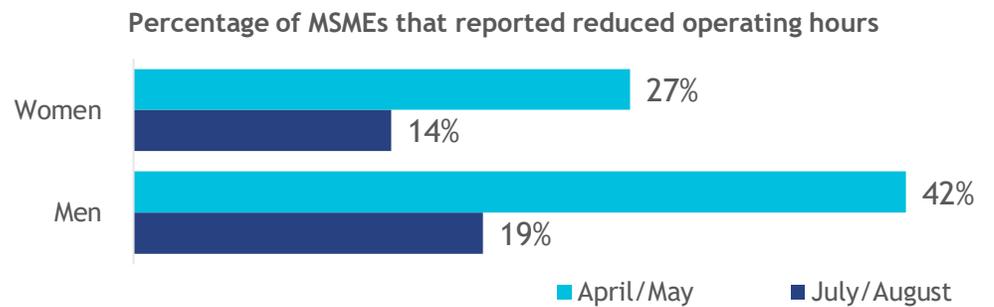
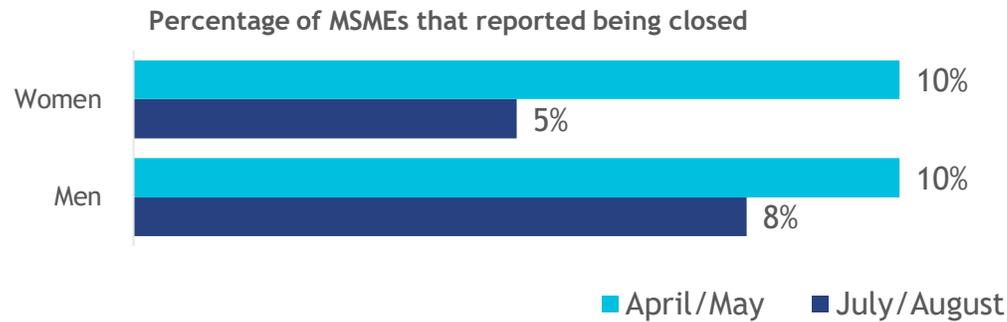




04 Impact of COVID-19 on women-owned MSMEs

Women-owned MSMEs have suffered more as women perform both household chores as well as business duties. However, women entrepreneurs have been more enterprising while coping with the current situation

Women-owned MSMEs show better resilience and adaptability compared to MSMEs owned by men



As with April/May, women-owned MSMEs responded well to the new reality and adapted to continue operations

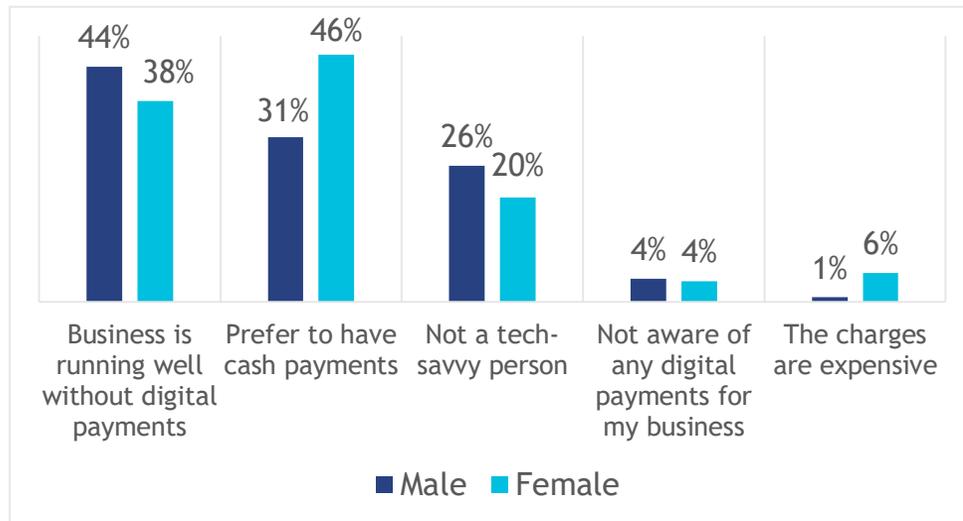
- 25% of women-owned MSMEs started offering new products, such as mask, face shield, and hand sanitizer in response to demand in the pandemic, compared to only 17% of MSMEs owned by men.
- 30% of women-owned MSMEs reported that they were unable to replenish their stocks because the supplier was unavailable, compared to 50% of MSMEs owned by men who reported this issue.
- Women were able to tap their informal network better for support. They received more in loans (8%) and additional labor (3%) from their social network compared to men.

“I do not have any issue with stock supply, but unfortunately, I do not have enough working capital to buy it. The price have increased by 10% compared to April.” - Abu, owned a clothing business in Yogyakarta

- The average subsidized loan size for male entrepreneurs is higher (a median of IDR 50 million or USD 3,448) than their women counterparts (a median of IDR 25 million or USD 1,724). The gap is due to women’s use of informal financing sources, such as loans from friends and family (IFC, 2016). The banks require collateral for loans above IDR 50 million, which can be a barrier for women entrepreneurs who do not own/have access to collateral.

Most men and women-owned MSMEs are still not ready to adopt digital payment due to access as well as capacity issues

Women do not use digital payments mostly due to the need and preference for cash payments



“Before the pandemic, all payments were 100% in cash. Currently, 50% of my customers prefer to use bank transfer. I have used WhatsApp and Facebook and they increases my sales significantly. I hope I can continue to use social media in the long term.” - **Nurlin, a traditional fabric producer from Tarutung**



* Such as e-Money, BRIZZI, Flash, BNITap, etc.

** Such as GoPay, OVO, Dana, LinkAja, etc.

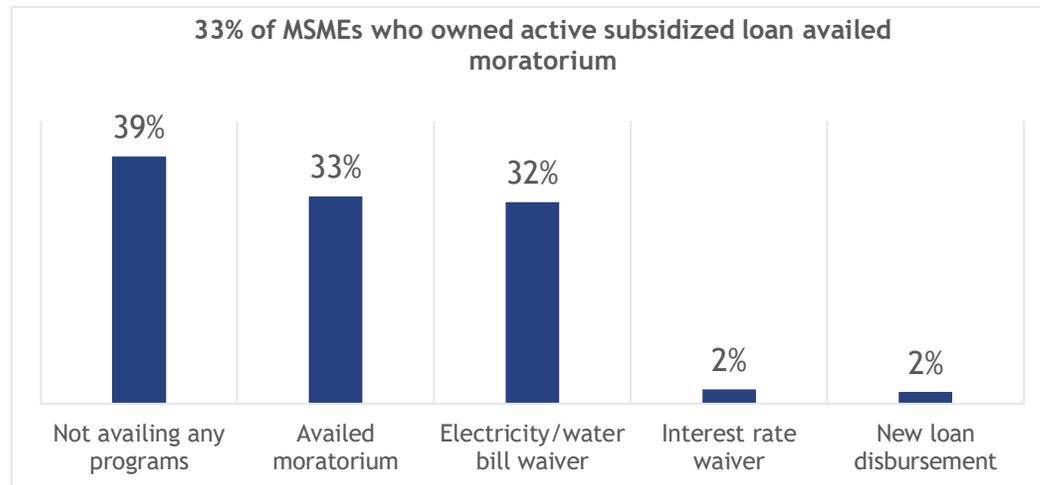
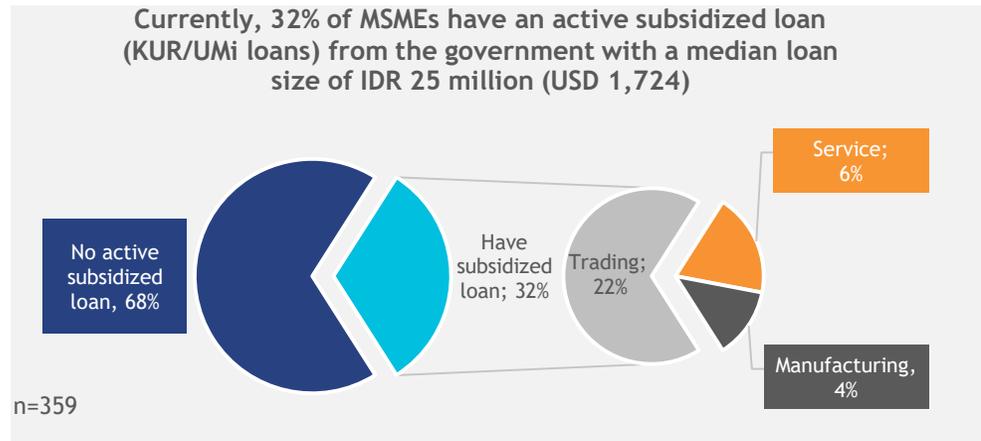
***Internet banking, mobile banking, SMS banking, debit/credit card, etc.

- According to ITU, [the digital gender gap is widening fast in developing countries](#). The research mentioned that the global internet user gap is 17%. [GSMA](#) reported that Indonesia accounts for 14% of the gender gap for mobile internet users. Meanwhile, [GPII](#) reported that in developing economies, an average of 67% of women with an account send or receive digital payments, compared with 72% of men with the account.
- Electronic banking dominates digital payments, while other modes are not widely used.
- Women entrepreneurs are more aware of QRIS (36%) compared to men (32%), but more men (17%) use QRIS in their business compared to women entrepreneurs (7%). Women do not use QRIS for two main reasons—they see no demand from the customer and find the process too complicated.
- Although digital finance has become a popular element for business and proven to be a critical aspect during the pandemic, almost two-thirds of women have not accepted any digital payment since the beginning of the pandemic. There is no change in July/August as compared to April.
- For female entrepreneurs who used digital platforms, such platforms contributed 30% to the total sales in July/August. This figure is higher than the proportion of male entrepreneurs who reported a 20% contribution.
- Women entrepreneurs who adopted digital payments in their business feel that their internet access is limited compared to their male counterparts.



05 Coping strategies of MSMEs

Government programs provided relief to MSMEs during the pandemic; 61% of MSMEs availed benefits under at least one government program



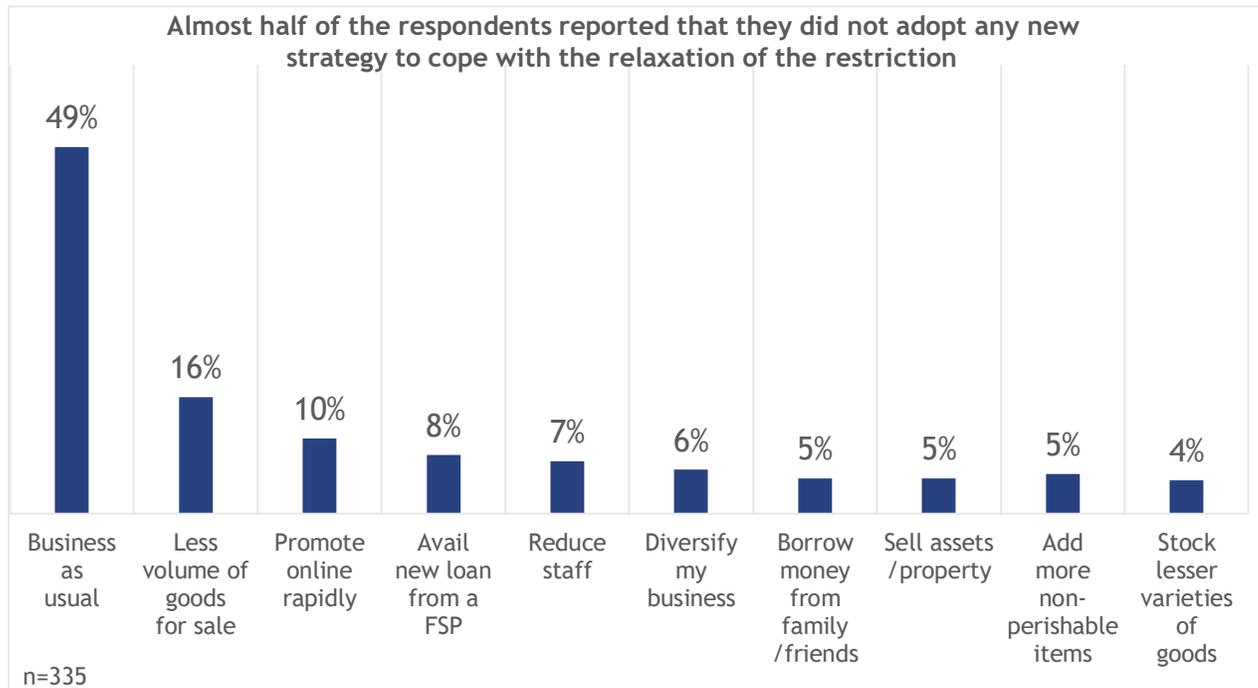
1) **KUR** (Kredit Usaha Rakyat or People's Business Loan) is a working capital loan for MSMEs and Cooperatives for productive and decent but not yet bankable
 2) **UMI** (Ultra Micro loan) is a working capital loan for micro-business which cannot yet be facilitated by banks through KUR and distributed by Non-Bank Financial Institutions

Most MSMEs avail moratorium and electricity/water bill waivers, among other government programs

- 31% of MSMEs in the urban areas availed subsidized loans with a median loan size of IDR 48 million (USD 3,310), and 33% of rural MSMEs availed subsidized loans with a median limit of IDR 25 million (USD 1,724).
- 61% of entrepreneurs are aware of the relaxation initiatives from the government to support MSMEs, especially on moratorium (41%) and electricity or water bill waiver (39%).
- More MSMEs in the rural areas availed electricity or water bill waiver (40%), compared to urban areas (19%). However, more urban MSMEs availed moratorium (46%) compared to rural MSMEs (26%).
- MSMEs that have not availed any government program cited low awareness on the registration process (48%), do not feel the need to avail any benefit of government programs (33%), and lack of registration and legal permit (9%). The entrepreneurs are not confident about their capacity to repay.
- 33% of MSMEs have no interest in utilizing the benefits of any government program.

"I have a KUR (People's Business Credit) from BRI worth IDR 300 million (USD 20,690). They gave me a moratorium since June for my loan installment and a tax rebate for six months." - Abu, a small business owner from Yogyakarta

Borrowing and managing stock of goods are the primary coping strategies of MSMEs to manage their cash flows during the pandemic



“I provide a delivery service over a service area within 10 km. I have asked my employees to maintain a good relationship with my regular customers by assessing their needs. Currently, I focus on high-demand goods such as sugar, cooking oil, and instant noodles.” - Andaru, an essential business owner from Jakarta

“I run O2O business as my additional business. I accept payments from the customer exclusively in cash but pay the supplier digitally from my e-wallet.” - Lina, from the rural area of Wonogiri

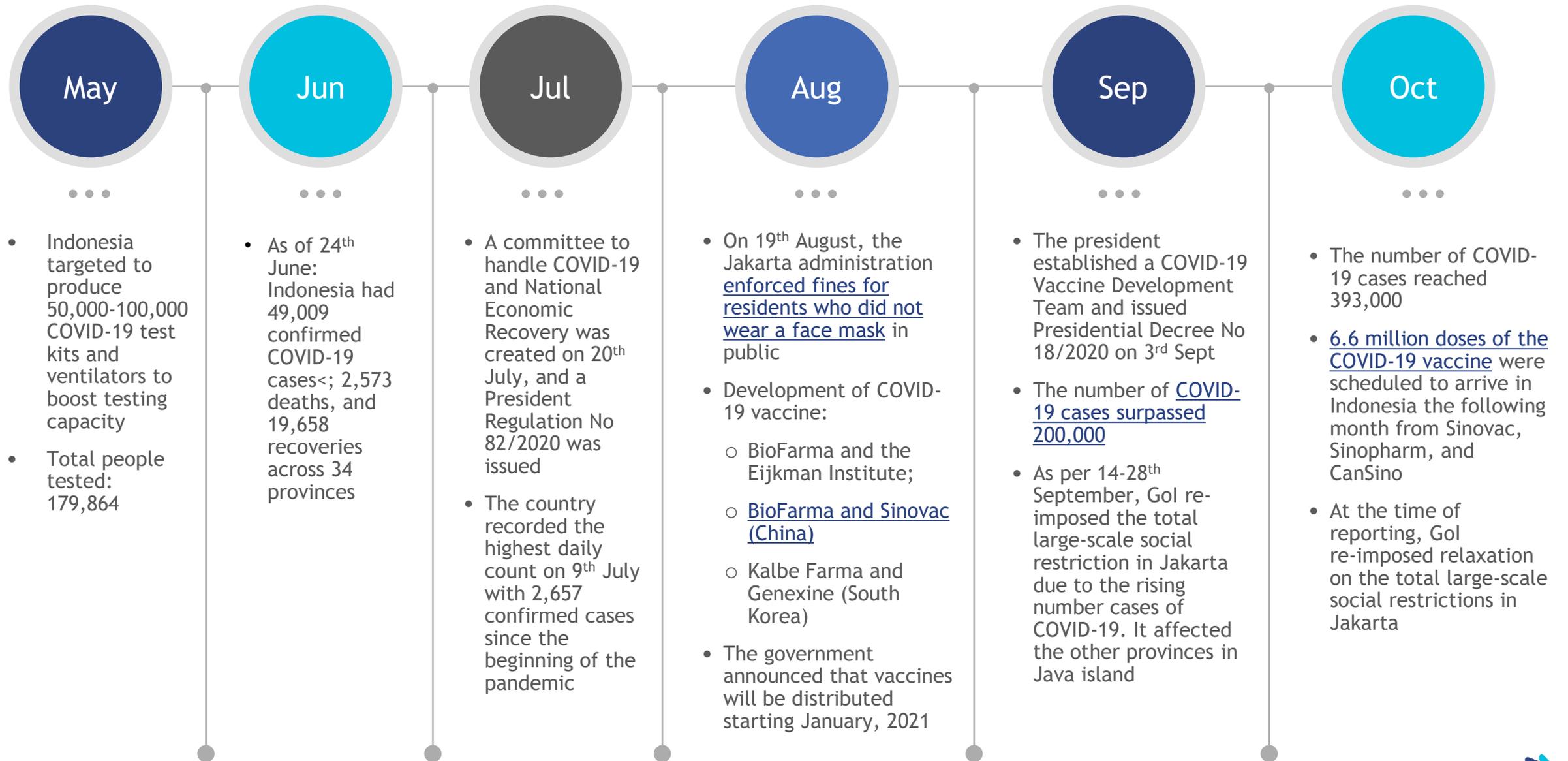
MSMEs have adopted new ways to tide over the pandemic

- Some enterprises reduced staff (7%) while some reduced the volume (16%) and variety (4%) of goods they sell to cope with uncertain demand. This has helped them to cut costs and direct funds to meet household needs.
- Urban MSMEs in the trading business prefer to offer a home delivery service (15%) to their regular customers instead of providing them sales on credit (4%).
- In business diversification, MSMEs have innovated their practices in different ways:
 - They have focused on products that are high in demand, such as health essentials like masks, face shields, and hand sanitizers.
 - Manufacturing MSMEs offered customized orders and products, improved their packaging, and customize the product to keep up the pace with the current trends.
 - Some have tried a new type of business that relates closely to their existing business. For example, a milk seller may have decided to sell breakfast in the nearby office area.
- Only 17% of MSMEs reported having received at least some kind of support from their social network, 38% of whom received it as a loan.



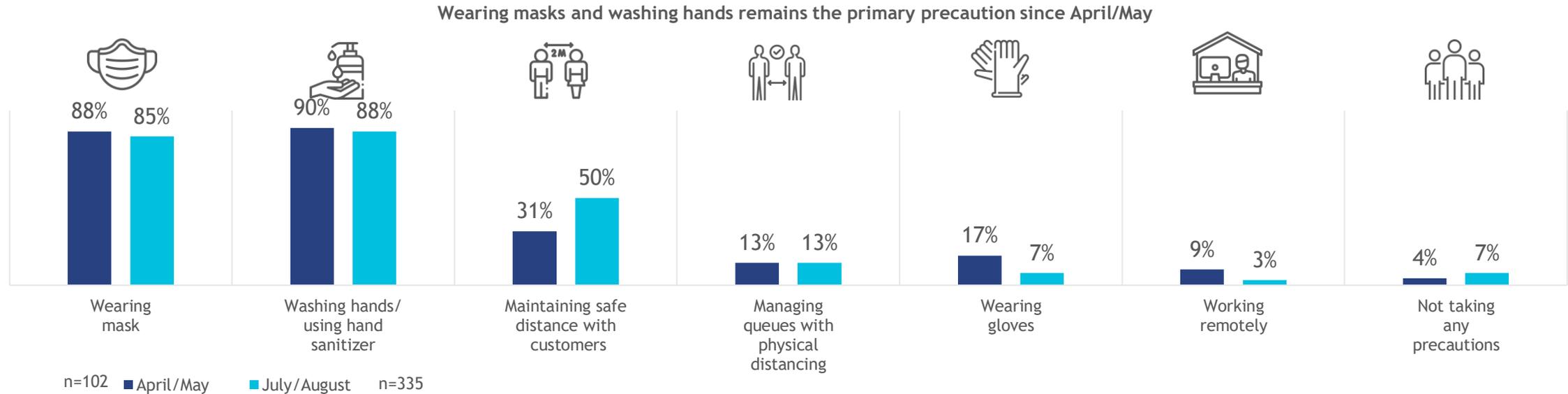
Annexes

The COVID-19 situation in Indonesia



Preventive measures on COVID-19 may loosen after the government relaxes social restrictions

MSMEs in the urban areas are more compliant in following health protocols to prevent the spread of COVID-19 in their business premises



- Preventive measures in the July/August were mostly similar to that of April/May. Unfortunately, MSMEs in rural areas have not been as careful as their counterparts in the urban areas on implementing preventive measures, with 77% reporting that they did not take any precautions on their business premises.
- With the number of COVID-19 cases breaching the 200,000 mark in Indonesia at the time of reporting, the awareness of implementing health protocol should be further improved.
- The Government of Indonesia has reminded the community to follow a “3 M” protocol—*Memakai masker* (wearing a mask), *Mencuci tangan* (washing hands), and *Menjaga jarak* (physical distancing).
- The Indonesian government has been carrying [the national campaign on “Wear Masks”](#) from 10th August until 6th September 2020. It would be followed by a campaign on handwashing with soap and to maintain physical distancing until 6th November, 2020.
- [The way businesses adapt to the necessary health protocols](#) is key to the recovery process. It can help to minimize the potential disease relapses and will be essential to reduce the economic costs of the pandemic.

National Economic Recovery Program (Pemulihan Ekonomi Nasional/PEN)

Goal

- To advocate, maintain, and increase the capacity of business players to run their business during the pandemic.
- Assist the MSMEs to improve their capacities to ensure business continuity during such difficult times

Source of fund

- **State expenditure:** in the form of interest subsidy given to MSMEs.
- **Placement of funds:** Liquidity support to the banks participating in the credit restructuring program.
- **Working capital credit guarantee:** the government would bear the cost of the premium for guaranteeing non-performing loans
- **State capital injection:** to the state-owned enterprises (SOE) affected to maintain their sustainability

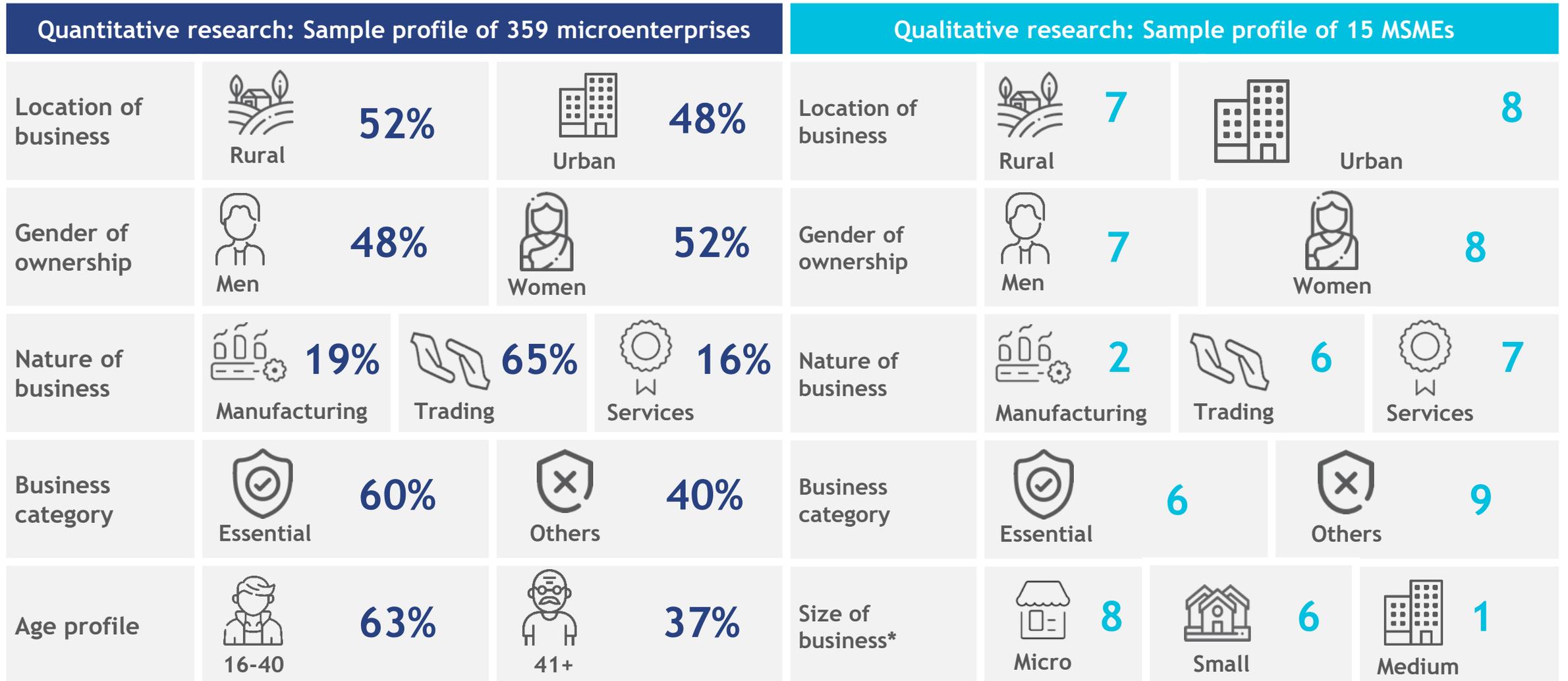
Assistance for MSME

- Interest Subsidy - IDR 34.5 trillion (USD 2.3 billion).
- Tax Incentives - IDR 28.06 trillion (USD 1.9 billion) for 0.5% tax reduction (PPH) for 6 months, until December 2020.
- Guarantee of working capital loan given to MSME - IDR 6 trillion (USD 414 million). These will be granted through Direct Guarantee to SOE and guaranteed through financing institutions.

Credit Stimulus for MSME

- IDR 34.15 trillion (USD 2 billion) interest subsidy for 61 million beneficiaries:
 - IDR 27.26 trillion (USD 1.88 billion) through rural banking, Banking and Financing Companies
 - IDR 6.4 trillion (USD 441 million) through KUR, UMi, [Mekaar](#), and [Pegadaian](#)
 - IDR 0.49 trillion (USD 34 million) through cooperatives, [LPDB](#), [LPMUKP](#)
- Total loan being restructured: IDR 285.09 trillion (USD 19 billion). Total outstanding loan for the recipient of interest subsidy: IDR 1,601 trillion (USD 110 billion)

Respondents' profile for the study in July/August



Note: The quantitative sample does not represent the overall MSME population in Indonesia. We have used median values in location-wise splits because the sample size per location is low.

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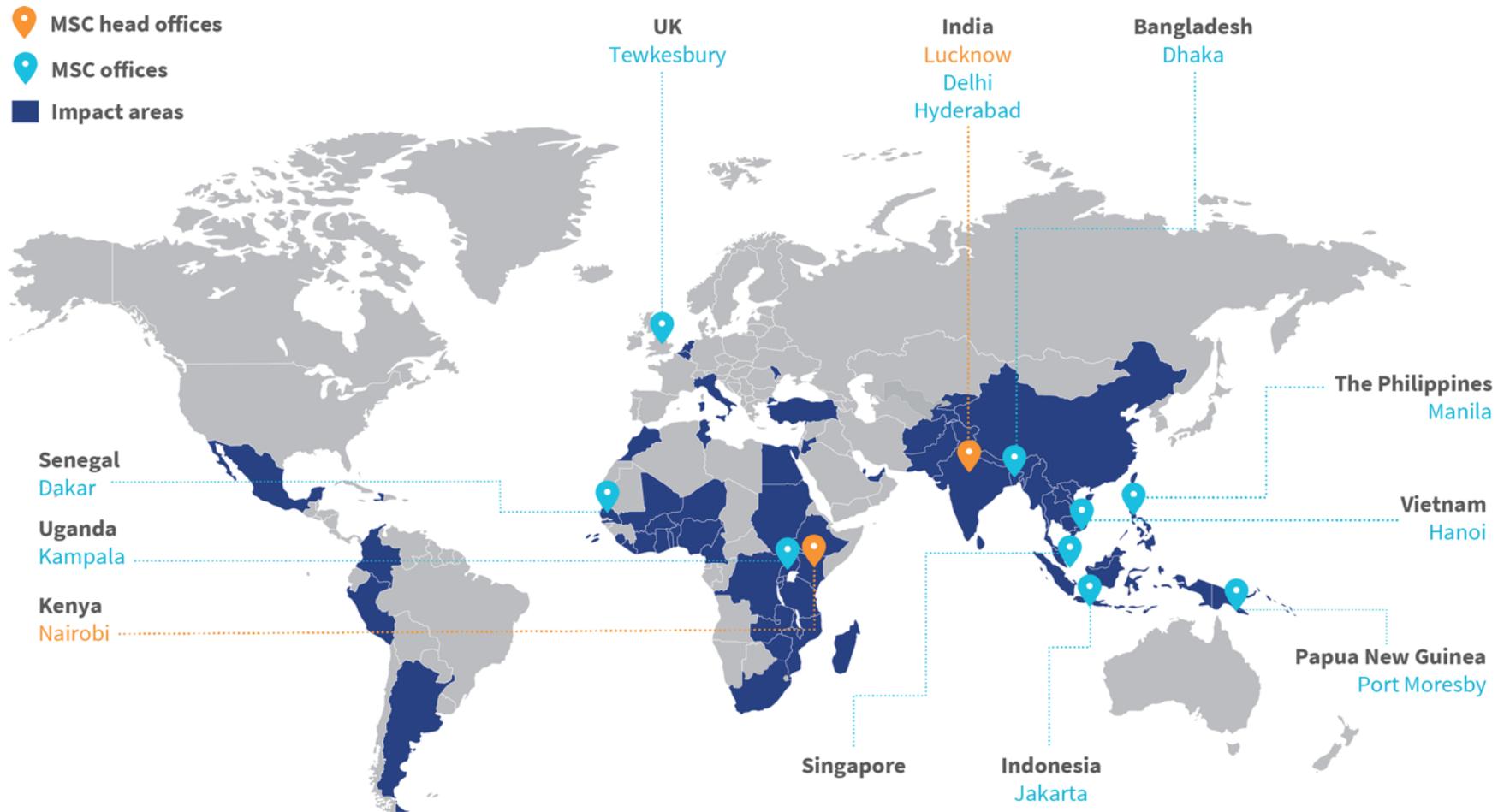
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