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Nurul Hidayah

Universitas Mercu Buana, Indonesia, nurul.hidayah@mercubuana.ac.id

Lucky Nugroho

Mercu Buana University, Indonesia, lucky.nugroho@mercubuana.ac.id

See next page for additional authors

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Exploring the Benefit of Introducing Accounting and Finance Knowledge for Micro and Small Entrepreneurs During the COVID-19 Pandemic

Nurul Hidayah,^{1*} Lucky Nugroho,¹ Harry Suharman,² and Anees Janee Ali³

¹Universitas Mercu Buana, Indonesia

²Universitas Padjadjaran, Indonesia

³Universiti Sains Malaysia, Malaysia

*Correspondence email: lucky.nugroho@mercubuana.ac.id

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Abstract

This study aims to explore the benefit of introducing the accounting and finance knowledge for micro and small business enterprises, in particular during the time of the coronavirus disease 2019. The COVID-19 pandemic has severely affected the micro and small enterprises. A large number of industries faced the risk of lower sales, which in turn badly hit their businesses. To assist micro and small business entrepreneurs in maintaining sustainability by improving their bookkeeping skills by using digital applications, a team of lecturers from Universitas Mercu Buana, Indonesia, and Universiti Sains Malaysia, Malaysia, collaborated on socialization activities and interactions. The lecturers held virtual or online workshops for 75 micro and small business entrepreneurs, whose majority of the participants have a high school educational background. The results of this study show influential benefits experienced by the participants, who also stated that the activity and social interaction must be held regularly as a guide and to provide them with updated information. The activities also motivated them to continue working hard to sustain their business. This study demonstrates that such programs can provide support for the sustenance of micro and small businesses.

Keywords: empowerment; micro and small entrepreneurs; COVID-19

1. Introduction

Mastery of technology is a must for the business community and the recent COVID-19 pandemic has accelerated the use of digital applications in supporting human activities. The physical distancing policies from the government has restricted the community's mobility (Debata et al., 2020) causing the rapid growth of digital services, as follows:

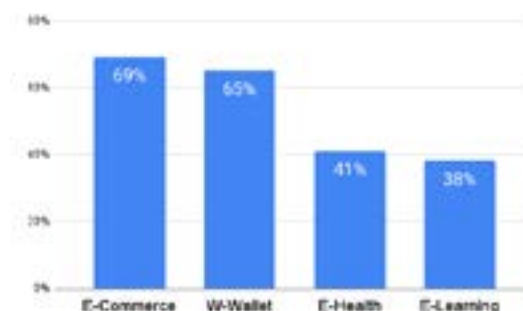


Figure 1. An increase of digital application users

Source: Lidwina & Fitra (2020)

Based on Figure 1, the highest increase of the digital services is the use of e-commerce in Indonesia. E-commerce applications during the COVID-19 pandemic increased by 69% and people used this digital application to buy consumer goods for daily needs. The increase in users of e-commerce applications lead to a similar increase for users of e-wallet applications as a means of payment for online transactions. This application is used as a means of payment for transactions for the use of e-commerce applications. Furthermore, digital applications are also used in the health and education sectors which increased by 41% and 38%, respectively. Digital application services for health are also widely used for consultations related to COVID-19, while those for education support learning activities at home. Such occurrences suggest the increasing role of digital services for society.

The phenomenon of the current COVID-19 pandemic impacts the slowdown in global economic growth. The business actors experience a decline in production and some even experience bankruptcy (Astuti & Mahardhika, 2020). The current COVID-19 pandemic impacts not only large-size business and medium-size business actors but also small business size and micro-business size actors (Ratten, 2020). According to Afriyadi (2020), 46 companies with assets of at least US \$ 1 billion or around Rp14 trillion filed for bankruptcy until August 17, 2020. Meanwhile, as many as 30 million Micro, Small, and Medium Enterprises (MSMEs) went bankrupt (Lestari & Rachman, 2020). This is due to the declining purchasing power of all levels of society. The decline in public purchasing power has implications for the decline in demand for goods and consumption.

Meanwhile, most business actors in Indonesia are micro and small entrepreneurs, which consists of 99% of the total entrepreneurs in Indonesia. Micro and small businesses also create employment opportunities for 117 million people in Indonesia, or about 97% of the entire national workforce and contribute to gross domestic product (GDP) of around 57% (Jayani & Fitra, 2020). According to Limanseto (2021), during the COVID-19 pandemic, micro and small business actors faced several obstacles, which included the difficulty paying off loans, electrical bills, water usage bills, paying employee salaries, obtaining raw materials, finding additional capital, decrease in costumers, delays in the production process, and impeded distribution of production results.

The importance of the role of micro and small entrepreneurs in the national economy and the economic condition due to COVID-19 pandemic that threatens the sustainability of their business have caused the government to intervene with various programs and policies. Anggraeni et al. (2021) and Kiranti and Nugroho (2022) state several government incentives programs and policies for micro-enterprises in low-income communities that have been implemented during the COVID-19 pandemic. Such as loan restructuring policy, additional capital assistance, relaxation payment of electricity bills, and other financial are some of the incentive programs that specifically aim to support the micro and small business entrepreneurs.

In addition, to maintain the sustainability of micro and small businesses, it is also necessary for the owners to increase the ability to record sales and purchases using digital applications. Therefore, in addition to the programs and policies of the government to maintain the business continuity of micro and small businesses actors, the ability to keep records or bookkeeping is vital. The reason behind it is that optimal efficiency is required during the COVID-19 pandemic. Otherwise, the micro

and small entrepreneurs cannot correctly identify the cost-saving strategies they can pursue if there is no bookkeeping for buying and selling transactions. Therefore, based on the gap phenomenon and theory mentioned above, this study formulates the following research problems as (a) what are the benefits of empowerment activities for micro and small entrepreneurs? and (b) what is the response of micro and small entrepreneurs in empowerment activities?

Based on the formulations of the research problem, a team of lecturers from Universitas Mercu Buana, Indonesia, and Universiti Sains Malaysia, Malaysia, initiated a community service program and collaborated on socialization activities and interactions with the micro and small business community. This community engagement program aimed at increasing the ability of micro and small business actors in using digital recording applications during the COVID-19 pandemic. It is hoped that through this program, these businesses can improve their efficiencies against unproductive costs during the pandemic. Furthermore, these activities and interactions arguably benefit the micro and small entrepreneurs, so that they can sustain their business continuity through efficient spending.

2. Review on the Micro and Small Business and the COVID-19 Pandemic Situation in Indonesia

Indonesia, as a country with a large population, has enormous market potential. As such, Indonesia has become one of the destination countries for product sales as emerging markets from countries worldwide (Alam et al., 2016). Therefore, it is believed that national business actors should produce and sell their goods and services domestically. However, the reality is that the use of domestic products and services in Indonesia is still minimal (Kementrian Perindustrian Republik Indonesia, 2014). Not to mention, other countries can easily enter Indonesia by using e-commerce applications as their entry point. Under these conditions, the government and all stakeholders, both academics and practitioners, need to collaborate to find solutions to these present challenges.

The COVID-19 pandemic that hit the world, including Indonesia, in 2019 has disrupted all aspects of human life. The massive spread of COVID-19 has caused an enormous number of fatalities worldwide, leading to the mitigation of health protocols and restrictions on physical mobility (Silva et al., 2020). In addition, the pandemic has caused a slowdown of the global economy. Several enterprises closed their operations if they could not manage their businesses (Bhuiyan et al., 2020). However, many still survive because they can adapt and change their business processes and models according to the wishes and needs of the community. Moreover, the business world and environments nowadays are covered with Volatility, Uncertainty, Complexity, Ambiguity (VUCA). Volatility is the condition of the environment with rapid and frequent changes (Bennett & Lemoine, 2014). Uncertainty refers to an environment faced by the business world today where future business conditions cannot be estimated or predicted (Drucker, 2012). Complexity is the chaotic environment faced by the business world due to the intervention of new technology and globalization (Deepika & Chitranshi, 2020). Lastly, complexity is the environment faced by the business world, a chaotic environment or chaos caused by the intervention of new technology and globalization (Horney et al., 2010).

In addition to the COVID-19 pandemic, the external business environment or the above-mentioned VUCA, presents challenges for the industrial revolution 4.0. According to Sudirman et al. (2020), the industrial revolution 4.0 is a change in human activity resulting from the discovery of the internet that combines the discovery of computer technology with mechanization. As a result, inventions related to digital applications can now replace human activities. A few such inventions in the 4.0 industrial revolution are Gojek, Traveloka, Grab, Tokopedia, and Bukalapak. These inventions lead to changes in human behaviors that rely on applications for daily activities and work.

On the other hand, the business continuity of micro and small business actors during the COVID-19 pandemic requires support from all stakeholders. Several aspects need improvement by micro and small business actors. First is aspects of legality, as the majority of micro and small business actors do not have a business license from the regulator or government. Thus, they are not eligible to apply for additional capital loans from financial institutions (Madichie & Nkamnebe, 2010; Nugroho, 2014; Williams et al., 2017). The next aspect is financial. Most micro and small business actors do not have records of their financial and business transactions, and thus experience difficulties to plan their long-term investments. This aspect exerts an effect on the low optimization of the income they receive (De Amorim Braga et al., 2018). Furthermore, given the limited capital owned by micro and small business actors, the production aspect affects the use of traditional production tools. Thus, the output has a sub-optimal quality, and thus the competitiveness of their products is relatively low (Portes & Landolt, 2000). The last aspect is marketing, which is challenging due to the lack of knowledge and education of micro and small business actors, and thus their marketing channels are still not digitized and remain localized (Nugroho & Chowdhury, 2015; Sharma et al., 2012).

Furthermore, based on Kuckertz et al. (2020), during the COVID-19 pandemic, micro and small business actors experience a significant decrease in sales turnover due to reduced purchasing power from the public. Therefore, several necessary mitigations are needed to maintain the sustainability of micro and small businesses during the current COVID-19 pandemic. Among them are the purchase of products and services of micro and small entrepreneurs, provision of direct cash assistance and subsidizing credit loan interest rates for micro and small business actors who need additional business capital, as well as creating incentives to reduce loan installment interest rates to customers of micro and small entrepreneurs. In addition, further mitigations can be done by conducting training and assistance to micro and small business actors to improve their capabilities in financial, production, and marketing aspects as well as facilitating the issuance of micro and small business licenses. Other mitigation strategy can be done by eliminating the requirement for collateral in the form of assets in loan application.

Based on the identification of the mitigation steps above, academics from Universitas Mercu Buana and Universiti Sains Malaysia collaborated on community empowerment that targets micro and small business actors to improve their bookkeeping skills by using digital applications. As shown in Figure 2, the community empowerment activities responding to the COVID-19 pandemic can be carried out as follows:



Figure 2. Conceptual framework of micro and small entrepreneur empowerment

Based on Figure 2, during the COVID-19 pandemic, micro and small business actors need to be provided by financial assistance and training to improve their bookkeeping skills and sustain their businesses.

3. Methodology

In this study, virtual and online activities were used to help micro and small entrepreneurs improve their financial records. The reason is the current COVID-19 pandemic. This collaboration is carried out to exchange information and experiences with other countries, especially Malaysia, which has a culture and social conditions similar to Indonesia. This collaboration is also carried out with universities in Malaysia due to the similar social conditions in the country, primarily in terms of the importance of the existence of micro and small entrepreneurs. This collaboration is enacted with a memorandum of understanding between Universitas Mercu Buana and Universiti Sains Malaysia on teaching, research, and community service. Therefore, this collaboration is reciprocal, which can benefit both parties. Universitas Mercu Buana has established cooperation with Universitas Padjadjaran, Bandung, a state university with a good reputation, to improve the quality of community engagement implementation.

The criteria for the resource persons were selected based on their capacity and field specialization that match the objectives of this community service. The first resource person is Nurul Hidayah who provided materials related to financial planning as an accounting lecturer at Universitas Mercu Buana and is competent in making financial plans for micro and small entrepreneurs. She also specializes in public accounting. The second resource person is Lucky Nugroho who delivered materials on community services related to the use of digital accounting to micro and small entrepreneurs as an accounting lecturer at Universitas Mercu Buana. He specializes in finance and banking. Furthermore, the third resource person is Harry Suharman who is a senior lecturer in the accounting department at Padjadjaran University, Bandung. He specializes in management accounting. Lastly, Anees Jane Alli is a lecturer in human resource management at Universiti Sains Malaysia.

There are 83 registered participants for the empowerment activities for micro and small businesses, but only 75 attended. This study uses quantitative data from the questionnaire

distributed to 75 participants of the events. The questionnaire is closed-ended and aims to determine the benefits of the workshop to micro and small entrepreneurs. The contents of the questionnaire relate to the educational background, type of business sector, and the condition of the business turnover of micro and small entrepreneurs during the COVID-19 pandemic. This article is prepared by using a quantitative descriptive method, which aims to explain existing phenomena and conditions based on data represented through numbers, tables, and graphs that are further analyzed or interpreted.

4. Results and Discussion

4.1. One-day workshop for micro and small entrepreneurs

The community service is planned as a one-day workshop to introduce the basic accounting and finance knowledge to the micro and small business actors. Such an event is more popularly known as socialization events, in which the participants are introduced by resource persons with some basic knowledge and/or skills. In this workshop, the financial aspect crucial for micro and small business actors received support from the local government, represented by District Head of Kembangan, West Jakarta, Indonesia. In collaboration with Universiti Sains Malaysia and Universitas Padjadjaran, Universitas Mercu Buana is committed to helping the sustainability of micro and small businesses during the COVID- 19 pandemic.

Aside from the financial aspect above, there are some materials presented in the workshop. Financial planning for micro and small entrepreneurs means that most micro and small entrepreneurs do not plan to develop their businesses (Utami & Nugroho, 2019). Therefore, on the occasion of their socialization with micro and small entrepreneurs, the presenter conveyed the importance of achieving their goals in the next year. Next, how to implement the plan with strategic initiatives and aligned work programs were discussed. The presentation of financial planning was simple and accompanied by examples to facilitate audience understanding and implementation. The digital accounting application socialization aims to inform micro and small entrepreneurs of accounting applications that are currently accessible via Android devices. The purpose of the presentation is to inform digital accounting applications that are easy and free to use and install. The financial socialization for micro and small entrepreneurs aims to convey how to separate finances between business and household needs. Human resource values socialization aims to convey that in carrying out their business, micro and small business actors must develop soft skills through formal and informal training. In addition, they must prepare for regeneration to maintain the sustainability of their businesses.

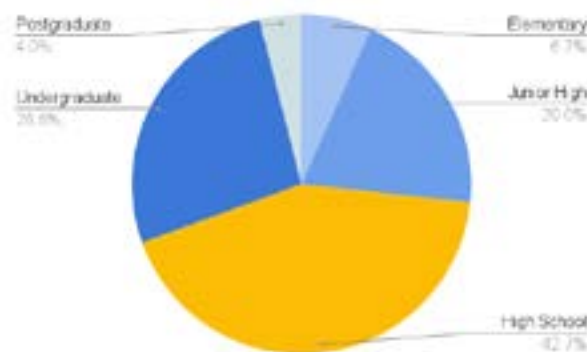


Figure 3. Educational Levels of Micro and Small Business Entrepreneurs

Based on Figure 3 above, most of the micro and small business actors are high school seniors with 32 participants (42.7%). The second-highest education level is undergraduate for as many as 20 participants (26.7%). The rest are micro and small business actors with 15 of them (20%) have obtained junior high school education, 5 participants (6.7%) have studied in elementary schools, and around 3 participants (4%) are micro and small entrepreneurs with postgraduate education. Overall, according to the result of the questionnaire, the level of educational background of most micro and small entrepreneurs in the event are senior and junior high school (62.7%). Thus, from the 75 participants, 35 micro and small entrepreneurs had senior and junior high school education.

Based on their businesses, the micro and small entrepreneurs that participated in this socialization fall under the following sectors:

Table 1. Business sector of micro and small entrepreneurs

Business Sector	Number of Participants	Percentage
Food/Beverage	30	40%
Accessories	7	9%
Bag/Shoes/Clothes	10	13%
Electronic	8	11%
Household Appliances	20	27%
Total	75	100%

Based on Table 1 above, most micro and small entrepreneurs with 30 participants (40%) operate in the food/beverage sector. The next dominating sectors are household appliances with 20 participants (27%), followed by the bags/shoes/clothes business with 10 participants (13%). There are 8 micro and small entrepreneurs within the electronic business sector (11%). Finally, the least amount of micro and small entrepreneurs falls under the accessories business sector, with 7 participants (9%).

Further information related to the condition of micro and small entrepreneurs during the pandemic is that all business sectors were affected by the COVID-19 pandemic and show a decrease in business turnover. The information on the decline in the business turnover of micro and small entrepreneurs based on the business sector is shown in Table 2. From the Table 2 results, the current COVID-19 pandemic has reduced business turnover by 5%–10% for the majority or around 22 participants (29%) of micro and small businesses. Furthermore, 20 micro and small entrepreneurs (27%) experienced a decline in turnover of 11%–15% while 15 entrepreneurs (20%) showed a decrease of 16%–20%. Therefore, based on Table 2, 76% of micro and small entrepreneurs experienced a 5%–20% decline in sales turnover during the current COVID-19 pandemic.

Furthermore, if analyzed from the aspect of the business sector, the business sector that will be heavily affected is the electronic business sector, where the majority (63%) experienced a decline in turnover of 16%–20%. Furthermore, the majority (60%) of the bags/shoes/clothes business sector experienced a decline in turnover

of 11%–15%. Meanwhile, most of the accessories business sector (71%) and most household appliances (30%) also experienced a decline of 11%–15%. However, most of the food/beverage business sector (57%) experienced the lowest decline in sales turnover at 5%–10%.

Table 2. Decreasing turn-over based on business sector

Decrease in Turnover	Food/ Beverage	%	Accessories	%	Bag/ Shoes/ Clothes	%	Electronic	%	Household Appliances	%	Total	%
Less Than 5%	8	27%	0	0%	0	0%	0	0%	6	0%	14	19%
5%-10%	17	57%	1	14%	0	0%	0	0%	4	20%	22	29%
11%-15%	3	10%	5	71%	6	60%	0	0%	6	30%	20	27%
16%-20%	2	7%	1	14%	4	40%	5	63%	3	15%	15	20%
>20%	0	0%	0	0%	0	0%	3	38%	1	5%	4	5%
Total	30	100%	7	100%	10	100%	8	100%	20	100%	75	100%

Based on the survey results at the time of socialization, it is known that the business sector with the lowest decline in sales turnover is food or beverage. This is due to the condition during the COVID-19 pandemic, the demand for food and beverages as basic needs remained. Meanwhile, other necessities, such as accessories, bags, shoes, clothes, and household appliances, experienced a larger decline in sales turnover, estimated to reach 15%. Therefore, demand for goods related to secondary needs show a larger decline. Furthermore, the demand for tertiary goods experienced a significant decline in sales turnover, reaching 20% in the electronics sector.

Therefore, based on these conditions, this interaction and socialization program aims to provide moral support to these micro and small entrepreneurs and encourage them to remain patient and resilient in running their businesses. In addition, the socialization and interaction program also provides knowledge and introduction related to digital accounting software and sales applications. The expectation of organizing socialization and interaction between several lecturers from Universitas Mercu Buana and Universiti Sains Malaysia is to reduce the gap and match between the world of education and industry. Moreover, micro and small entrepreneurs are expected to use digital accounting applications and online sales applications to help their businesses survive during the COVID-19 pandemic.

Previous research of Insight-Center (2020) demonstrates that micro and small entrepreneurs who can survive in their businesses during the COVID-19 pandemic are those who make changes to their business processes and models. These aspects include sales, marketing, and bookkeeping of their business activities using digital platforms.

4.2. Responses from micro and small entrepreneurs related to the activity

Micro and small entrepreneurs show excellent responses to the socialization activity related to financial management and recording. The questionnaire on the activity implementation uses the scale in Table 3, with the result of the questions and result scores can be seen in Table 4.

Table 3. Questionnaire scale

Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

Table 4. Questionnaire lists and scores

Questions	Scores
Does the material from this outreach program improve my knowledge and skills?	4.67
Does the material of this learning program follow my business development needs?	4.71
Does the overall method of delivering the material (lectures/discussions/ practices/ case studies, etc.) in this learning program involve me in every learning activity?	4.77

Table 4 shows that the implementation of this activity received a good response from micro and small business actors who wished to maintain the sustainability of their business by using effective financial management and bookkeeping. Therefore, this socialization program can be continued, improved, and carried out on a regular basis.

Based on the results of the activity implementation, significant issues related to the status of micro and small businesses during the COVID-19 pandemic are found. First, the majority of micro and small businesses were hit by the COVID-19 pandemic and experienced a decline of 5%–20% in sales turnover. Furthermore, most micro and small businesses need financial assistance and solutions to survive during the COVID-19 pandemic. In addition, micro and small business entrepreneurs need support and assistance in sustaining their businesses during the COVID-19 pandemic. Such support can come in several ways from the government, individuals, and other organizations. For example, the community service in training and socialization conducted by the Universitas Mercu Buana and Universiti Sains Malaysia has provided the participants with moral support to sustain their business. Most micro and small business entrepreneurs have stated the need the motivation to carry on and move on with their business activities to achieve sustainability. This motivation can come from a few different sources. The government, individuals, and organizations such as higher education institutions can give a helping hand to conduct social activities that provide guidance and new information for businesses to keep moving. Participants also stated that they need a sustained support and assistance.

5. Conclusion

The impact of COVID-19 has hit hard the economic sectors globally and particularly the micro and small business actors, which composes more than 90% of the business entrepreneurs in Indonesia. The survival of micro and small businesses is essential to the development of the country's economy because they provide essential products and services to the people. Most importantly, these businesses employ millions of people in Indonesia. In summary, the survival of micro and small businesses in Indonesia is vital for the development of the economy during the COVID-19 pandemic.

Taking advantage of digital platforms, the team of lecturers from the Universitas Mercu Buana and Universiti Sains Malaysia collaborated to conduct activities and

social interactions with micro and small business entrepreneurs during the COVID-19 pandemic. The activity aimed not only to introduce the basic knowledge in accounting and finance, it also to explore the needs and benefit of such activities in the future. The results of this study also show influential benefits experienced by the participants, who also stated that the activity and social interaction must be held regularly as a guide and to provide them with updated information. From the participants, it is said that these activities and interactions provides them the motivation to survive during COVID-19 pandemic, a dramatic period of the decline in their businesses. The activities also motivated them to continue working hard to sustain their business. This study demonstrates that such programs can become a beneficial support for the sustenance of micro and small businesses in difficult times.

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Author Biography

Nurul Hidayah is an associate professor in Economics and Business at Universitas Mercu Buana. She teaches financial accounting, cost accounting, management accounting and public sector accounting. (<https://orcid.org/0000-0001-6932-4087>)

Lucky Nugroho is a lecturer at the Faculty of Economics and Business, Universitas Mercu Buana since 2015, aside from a practitioner in banking since 2002 in Islamic banking. He is a chairman in the cooperation of the Islamic Economics Expert Association (IAEI) Commissariat of Universitas Mercu Buana and as committee of the Indonesian Lecturer Association (IDRI) Jakarta. (<https://orcid.org/0000-0002-9613-1667>)

Harry Suharman is an associate professor in the Department of Accounting Science, Universitas Padjadjaran, Indonesia. He obtained his master's degree in Accountancy, Business and Finance from University of South Australia and doctoral degree in Accounting from Universitas Padjadjaran. His research focuses on corporate social responsibility, management control system, strategic management, management accounting, cost accounting, accounting information systems. (<https://orcid.org/0000-0003-0787-0730>)

Dr. Anees Jane Ali is Associate Professor in International Business Section at School of Management, Universiti Sains Malaysia (USM) and has been working at USM since 2003. He received his master's degree and PhD from the University of Groningen. He teaches courses and conducts research in international human resource management, expatriates' and repatriates' intercultural adaptation, international management and business, business communication, and organizational behavior. (<https://orcid.org/0000-0003-1752-0611>)