

**POLICY ANALYSIS OF THE IMPLEMENTATION OF THE
COMMUNITY ACTIVITIES RESTRICTIONS ENFORCEMENT (CARE)
ON SMALL AND MEDIUM ENTERPRISES IN MEDAN CITY**

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ABSTRACT

Covid 19 destroys the joints of life including the economy. To suppress the spread of the COVID-19 virus, several countries have implemented various policies, including Indonesia. Indonesia implements the policy of The Community Activities Restrictions Enforcement (CARE) which also has an impact on the economy. This study aims to determine the impact of The CARE policies on SMEs and the strategies carried out by SMEs during the implementation of The CARE. This research is descriptive research with a qualitative approach. Methods of data collection are done by interview, observation, and documentation. Interviews were conducted with SME associations, SMEs actors, and SMEs regulators. The data analysis technique was carried out by data reduction, data display, and concluding. The data validity technique is done by triangulation of sources and member check. Based on the results of the study, it is known the impact of The CARE policy on SMEs in the city of Medan, namely decreased sales, decreased supplies of materials, layoffs, increased online transactions, and increased innovation. And the strategies carried out by SMEs in the city of Medan during the CARE period were digital marketing, the use of e-commerce, product and service diversification, product quality improvement, and customer relationship marketing.

Keywords: *SMEs, The Community Activities Restrictions Enforcement (CARE), Public Policy*

A. INTRODUCTION

The world's joints are being destroyed by Covid-19. According to data given by Worldometer on August 21, 2021, daily positive instances of Covid-19 reached over 684 thousand people, with a total of 211 million people infected globally and over 4 million deaths (world meters, 2021). This pandemic has turned into a human menace, wreaking havoc on daily life and having psychological consequences on a worldwide scale. More than 210 nations have been affected by the pandemic, and most are currently pursuing infection-control measures including lockdowns, quarantines, obligatory mask usage, and social isolation. (Wang et al., 2021).

The Covid-19 epidemic has put the globe on the verge of the biggest economic downturn in the last 50 years of global history. According to the International Monetary Fund (IMF) release, the global economy increased by a negative 3.5 percent in 2020 (International Monetary Fund, 2021), which is worse than the 2009 global financial crisis and the Asian monetary crisis in 2020. Meanwhile, Indonesia is one of the nations still fighting Covid-19 with a variety of programs that mix countermeasures and economic development. According to data from the Indonesian government's Covid-19 Task Force as of August 20, 2021, the daily number of positive cases has reached more than 20,000 individuals, the total number of positive cases has reached more than 3.9 million people, and more than 123 thousand people have died in Indonesia. (COVID-19 Task Force, 2021).

In 2020, the Indonesian economy will be no less dismal than the rest of the globe. After growing by 3% in the first quarter of 2020, the economy plummeted into a fast collapse for the next three quarters, with the growth of - 5.3 percent, minus 3.5 percent, and minus 2.2 percent. Indonesia increased by minus 2.1 percent overall in 2020. Given that Indonesia's GDP shrank by 13.3% in 1998, this is something to be thankful for (BPS, 2021).

The Institute for Economic and Community Research, Faculty of Economics and Business, University of Indonesia (LPEM FEB UI) stated that the crisis due to the Covid-19 pandemic also affected the socio-economic conditions of the community, including having an impact on conditions of poverty and inequality in Indonesia. This can be seen in how the poverty rate in September 2020 increased compared to March 2020. Moreover, when compared to the percentage and number of poor Indonesians, previously continued to decline over the last 10 years (LPEM FEB UI, 2021).

The Inspector General of the Ministry of Finance, said, the poverty and unemployment rates were expected to rise significantly due to the pandemic. Where poverty is likely to increase by around 3.02 to 5.71 million people and unemployment to increase by approximately 4.03 million people to 5.23 million people (Kontan, 2021). Since the Covid-19 pandemic, not a few business actors have closed their operational activities. Some are temporary, some are indefinite. So the workers will be unemployed for a while. Not only that, the government regulations regarding *social distancing*, PSBB (Large-Scale Social Restrictions), and The CARE (The Community Activities Restrictions Enforcement) for red

zone areas have restricted people's movements, causing many people to be unemployed.

PSBB is governed by Government Regulation (PP) Number 21/2020, which governs PSBB implementation. The Minister of Health Regulation (Permenkes) Number 9/2020 concerning PSBB Guidelines, which takes effect on April 3, 2020, further regulates the development of the PP, which includes: 1) school and workplace holidays; 2) restrictions on religious activities; 3) restrictions on activities in public places or facilities; 4) restrictions on socio-cultural activities; 5) restrictions on transportation modes; and 6) restrictions on other defense and security-related activities. In giving guidance for the prevention and control of Covid-19, the Minister of Health referenced WHO norms and criteria.

The regional government is required to submit the PSBB application for its area to the Minister of Health to execute the PSBB policy. The first PSBB certified by the Minister of Health will begin on April 10, 2020, at DKI Jakarta. PSBB was supposed to be implemented for 14 days, however, it was prolonged multiple times until the Governor of DKI Jakarta declared the transition or relaxing of PSBB on June 5, 2020. West Java has been following the PSBB policy in DKI Jakarta since April 15, 2020, Banten on April 18, 2020, and other provinces have followed suit since April 15, 2020. PSBB was first deployed in 18 areas (two provinces: DKI Jakarta and West Sumatra, as well as 16 regencies/cities). On September 10, 2020, only 7 regions were still implementing PSBB.

According to Parady et al's (2021) research on the implementation of PSBB, PSBB is an effective intervention for slowing community movement, which directly affects the transmission rate of Covid-19. PSBB is also thought to be capable of restricting people's movement better than the central government's policy on banning people from returning home, which was implemented on April 21, 2020, or the policy on determining the status of a public health emergency, which was implemented on March 31, 2020. However, the PSBB's implementation is seen as counterproductive from an economic standpoint, as it impedes movement. a large number of laborers, or migration between provinces in Java and outside Java (Muhyiddin & Nugroho, 2021).

The Covid-19 handling strategy, as well as the operation of the Covid-19 Handling and National Economic Recovery Task Force (PEN), led by the Coordinating Minister for the Economy, were both affected by the replacement of the Minister of Health at the end of 2020. The Ministry of Health was terminated as one of the new policies. The Chair of PEN unveiled PSBB and modifications to the Implementation of The CARE on January 7, 2021, with the first phase of implementation taking place in Java and Bali. On January 11-25, 2021, the authorities in Java and Bali began to restrict communal activities owing to a high number of corona infections.

The CARE, like PSBB, is reviewed every two weeks and then prolonged by two weeks. The administration has decided to prolong the CARE's validity until April 2021. (Sek Kab RI, 2021). According to the administration, The CARE was quite successful in slowing the number of Covid-19 instances being added. The active case rate in Indonesia was 9.12 percent, lower than the global average of

17.23 percent, according to a news conference held by the Head of National Export Development on March 18. The cure rate of 88.16 percent is also higher than the global cure rate of 80.56 percent. Meanwhile, the mortality rate was 2.71 percent, somewhat higher than the 2.21 percent global average.

The PSBB and The CARE policies have been running for about a year and various obstacles have begun to emerge, one of which is the economic impact. In Medan itself, The CARE is enforced based on Medan Mayor Regulation No: 4432/6134 concerning Enforcement of Restrictions on Emergency Community Activities and Optimizing the 2019 Corona Virus Disease Handling Post in Medan City. Based on this regulation, there are several sectors of economic activity whose operations are restricted, namely banking, capital market, export industry, supermarkets, shopping centers/malls, restaurants/stalls/restaurants, entertainment venues, tourist attractions, public transportation, traditional markets, grocery stores, and street vendors. These operational restrictions involve reducing operational capacity and time, as well as conditions for activities such as seminars, tourist attractions, and entertainment that are temporarily closed. Food stalls that only serve *delivery/take away*, traditional markets that can only operate with a maximum visitor capacity of 50%. Until the grocery store is required to close at 20.00 WIB. This condition certainly has an impact on the economic activities of the community, especially SMEs.

The Research Center for the Expertise Board of the Secretariat General of the DPR-RI (2021) released that the impact of the Emergency The CARE Policy had an impact on entrepreneurs and SMEs, and subsequently resulted in mass layoffs. The prediction of the Open Unemployment Rate (TPT) in August 2021 will be in the range of 7.15 -7.35 % or 9.9 million to 10.27 million people. The figure is higher than the TPT in August 2020, which is 7.07 % (Izzaty, 2021).

In line with the Secretariat General of the DPR-RI, a researcher from the UGM Center for People's Economic Studies (Plustek), Dr. Hempri Suyatna said the emergency of The CARE up to level 4, as of August 2, had made many SMES bankrupt and went out of business (Suyatna, 2021). The extension of the CARE is a serious threat to the deindustrialization of the SME sector. SMEs do not only need working capital but also marketing networks and development facilities for SMEs who change professions.

Furthermore, the Secretary General of the Indonesian SMEs Association (Akumindo), Edy Misero said that the impact of The CARE level 4 had caused SMEs revenues to fall twice as much as before The CARE was implemented (Misero, 2021). The transaction value of SMEs actors is only able to touch the figure of 30%-40%. Before The CARE was implemented, the income of SMEs actors had decreased due to the pandemic. Not only that, but SMEs actors also often receive less humane actions from the authorities as a form of controlling business actors during The CARE.

Meanwhile, according to the records of the Indonesian Market Traders Association (IKAPPI), there are approximately 5 million market traders out of 12 million or 43% of traditional market traders from various regions who were forced to close their services due to the lack of markets and the decline in people's purchasing power. Not stopping there, IKAPPI also released that around 6.7

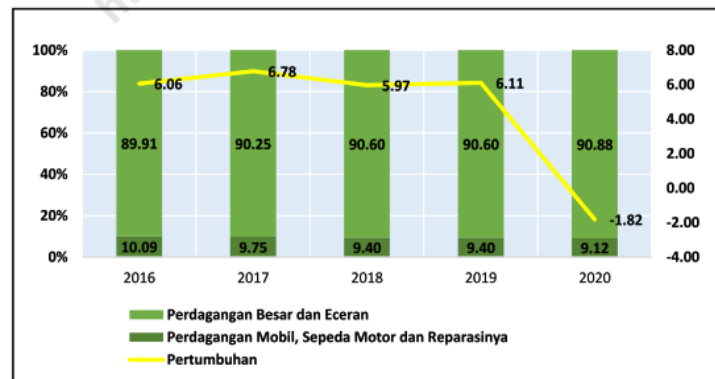
million or 57% of market traders who were still operating experienced a decline in income of up to 90% compared to normal times. Thus, the implementation of The CARE needs to be carefully evaluated so that the implementation of the policy does not exacerbate market conditions as an economic driver.

The implementation of The CARE which limits mobility and operating hours has a major impact on SMEs actors. The implementation of isolation outside the city in each region has a negative influence on the development of SMEs. Production, distribution, and marketing, which used to be profitable, drastically slumped. Of course, this is a threat to the national economy, because it is well known that SMEs make a big and crucial contribution to the national economy.

SMEs actors experienced a significant decrease in income turnover. It is not uncommon for SMEs actors who are unable to survive, forced to go out of business, or change professions. There is no choice for SMEs actors but to survive as much as possible or give up. As for aid funds from the government, it is not sufficient for the sustainability of micro-enterprise productivity. Another support is needed so that SMEs business actors can develop and be sustainable, for example, the implementation of the movement to defend and buy SMEs products, digitizing SMEs, and assisting innovation.

The city of Medan, the capital of North Sumatera was recorded to have 696,127 SMEs in 2015 (BPS, 2021). This number continues to increase every year and provides fresh air for the economy of the city of Medan. The high development of SMEs in the city of Medan is a natural thing because it is supported by demographic factors and a strategic geographical location. In addition, the label of a metropolitan city attached to the city of Medan also contributes to the growth of the number of SMEs.

Meanwhile, based on Figure 1.1 obtained from the Central Statistics Agency of Medan City in 2020, SMEs represented by the wholesale and retail trade business sector contributed 23.37% to the GRDP (BPS, 2021). This percentage places the wholesale and retail trade sector as having the largest share in the creation of Medan's economic growth, even in the last 5 years. However, this figure experienced a slowdown in growth and showed a negative value, which was -1.82 %. The slowdown in growth is thought to be the impact of the pandemic.



Source: Central Statistics Agency of Medan (2020)

Figure 1.
Growth In Wholesale And Retail Trade, 2016-2020

Disruptions to supply and demand occurred due to the pandemic and the accompanying CARE policies, forcing SMES growth to be in a negative position. Consumers hold back their consumption and as a result, there is a disruption in supply, a situation that ultimately results in disruption of the production process. On the other hand, the spread of Covid-19 has made people reduce physical activity and interaction, thereby reducing demand for goods and services (*demand shock*). Furthermore, this has implications for a decrease in income, especially for SMES. Furthermore, a decrease in income will have an impact on a decrease in demand. If left unchecked, there will be an economic contraction that will continue to increase unemployment and poverty.

The research of Sahputra et al. (2021) found that sales of SMEs products in the city of Medan decreased by 68% due to the difficulty of obtaining raw materials and the delay in the distribution process as well as difficulties in the capital which resulted in the slowdown of the production process by 16% of the total number of SMEs in the city of Medan. Furthermore, the study by Suryani, (2020) found that the problems faced by MSMEs during the Covid-19 period were capital problems. These two studies reinforce the fact that the COVID-19 pandemic and the accompanying The CARE policies hurt SMEs.

The implementation of The CARE and its extension in various parts of Indonesia, especially the city of Medan raises various concerns for SMEs actors who are very at risk of experiencing decreased income, bankruptcy, and less humane actions. Based on the description that has been explained, this study is interested in researching the analysis of The CARE policies on SMEs in Medan City.

B. LITERATURE REVIEW

Public policy

Taufiqurokhman, (2014), by analyzing the numerous definitions proposed by specialists interested in public policy, it is concluded that public policy is a set of policy decisions made by an individual or group of individuals to attain certain

societal goals. The government's major capital for organizing people's lives in different spheres of life is public policy. It is said to be the main capital because only through public policy does the government have the power and legal authority to manage the community and at the same time enforce all the provisions that have been set. Even though it is forced, it is legal and legitimate because it is based on clear regulations. In Indonesia, it is not just a law that forms the basis, but the state constitution that gives that authority so that public policies have authoritative power (Rusli, 2013).

The efficacy of public policies will be determined by their ability to be implemented and give answers to a variety of current public concerns. This indicates that public services are a result of the execution of policies that are closely related to the community's concerns and interests. The development of the contemporary concept of public policy emphasizes the need for action from the government, although at the beginning of its development public policy could mean to do or not to do, which describes the silence of the government as a policy. However, in practice, government administration, not to do, often creates public uncertainty in assessing the government's attitude towards a developing problem (Rusli, 2013).

The proposition that public policy is a policy developed and determined by government institutions and officials should receive the best possible attention to distinguish public policy from other forms of policy, such as policies issued by the private sector. The policy will be influenced by non-government actors and factors, such as pressure groups and interest groups. Although it is realized that public policy can be influenced by actors and factors from outside the government (Nuryanti, 2015).

A public policy has a close relationship between the government as a policy maker and the public with an interest in the policy. In the concept of modern democracy, state policy does not only contain sparks of thoughts or opinions of officials who represent the people, but public opinion also has an equal portion to be filled (reflected) in state policies. This means that public officials who are authorized to formulate and formulate policies concerning the public must hear opinions and suggestions from the public and base them on the public interest so that these policies can be accepted and follow the desired needs.

According to Mazmanian & Sabatier (1983), the ability to identify variables that influence the achievement of formal objectives throughout the implementation process is critical to the success of public policy implementation. The variables in question can be classified into three broad categories. First, the problem's tractability: Some situations, such as traffic congestion, are easier to deal with than others, such as nuclear waste disposal. All other factors being equal, implementation is more successful when there is a good causal theory, a relatively limited range of targeted behavior, a small population target group, and a minor desired change in behavior as a result of the policy.

Second, Sabatier and Mazmanian include legislative and institutional factors in their analysis. The statute should be explicit, and the institution in charge of enforcing it should be well-funded. Linkages to cooperating agencies should be built with as few veto points as possible and with clear lines of accountability.

Outside access to the decision-making process should be tilted toward supporters rather than critics, and the statute should be administered by agencies or individuals supportive of its purposes. The fate of implementation is determined by the third category of broad socio-economic and political elements. These forces overlap in part with forces [that serve to sustain] the public's and political system's perceptions that the problem addressed by the policy is urgent and demands attention. In summary, the chances of successful implementation, as defined by Sabatier and Mazmanian as "the translation of statutory objectives into the policy decisions of implementing agencies," are increased if clear objectives, sympathetic agencies, authority, resources, adherence to statute and rules, leadership, and public support are present (Mazmanian & Sabatier, 1983).

Based on this literature review, researchers understand public policy as a policy choice made by government officials or institutions in certain fields, such as the economic and health sectors, namely the CARE policy. This is done by researchers so that they can obtain greater benefits and make it easier to communicate these concepts. The CARE policies fulfill the characteristics of public policies. Where the CARE policy is a behavioral direction that is planned and has a specific goal, namely reducing the spread of the COVID-19 virus. The government has also taken concrete actions in accelerating the achievement of the policy objectives, for example continuing to socialize the implementation of health protocols and increasing national vaccine numbers. Judging from its characteristics, the CARE policy is positive, meaning that the policy is implemented to influence the Covid-19 problem, not to prevent the government from intervening in solving problems.

Based on the types of public policies, The CARE is included in the type of *regulatory policy*, namely a policy that regulates restrictions/prohibitions on actions/actions. Judging from the type of policy *Substantive and procedural Policies*, then in substance The CARE includes health and economic policies at the same time. While procedurally, this policy certainly involves many parties including health and economic experts.

Based on the level, The CARE policies are included in regional regional policies. Where the CARE policy is a derivative of the Instruction of the Governor of North Sumatra number 118.54/36/INST/2021. In addition, based on stratification, The CARE is included in operational technical policies, this can be seen from the results of the policy in the form of a circular letter from the mayor of Medan and a policy clause containing operational technical matters to implement the aim of reducing the spread of the COVID-19 virus.

The Community Activities Restrictions Enforcement (CARE)

Efforts to control the spread of the COVID-19 virus are realized in the form of a policy known as the The Community Activities Restrictions Enforcement (CARE). Before The CARE, a similar policy was applied with the term Large-Scale Social Restrictions (PSBB). However, this policy was not implemented in North Sumatra Province, including the city of Medan.

The CARE policy is a policy coordinated by various parties, one of which is the Minister of Home Affairs. Based on the Instruction of the Minister of Home

Affairs Number 20 of 2021, The CARE is enforced on 3 levels, namely level 2, level 3, and level 4. In the city of Medan, The CARE has been implemented according to level 4 criteria. /In 2021, the city of Medan is included in the list of regions that must implement Emergency The CARE. The city of Medan implemented the CARE policy starting on Monday (12/7/2021) which has been going on for more than a month. In the CARE policy, several policies are suspected to affect the economic activities of the community, namely in banking activities, capital markets, export industries, supermarkets, shopping centers/malls, restaurants/stalls/restaurants, entertainment venues, tourist attractions, public transportation, traditional markets., grocery stores, and street vendors.

The CARE policy is strongly suspected of influencing the community's economic activities due to the necessity of reducing the capacity of visitors and employees and limiting operational time. In addition, activities that gather the masses are also stopped, such as seminars, tours, receptions, and entertainment. Food stalls only serve *delivery/take away*, traditional markets can only operate with a maximum visitor capacity of 50%. Until the grocery store is required to close at 20.00 WIB. All of these are The CARE policies that have a direct impact on economic conditions.

Micro Small Medium Enterprises (SMEs)

The Law of the Republic of Indonesia No. 20 of 2008 respecting SMES regulates the definition of SMEs in Indonesia. Micro-enterprises, according to Article 1 of the legislation, are productive companies owned by people and/or individual business entities that meet the law's micro-enterprise standards. Small businesses are productive economic businesses that operate independently and are operated by individuals, or a business entity that is open and is a subsidiary or non-subsidiary that is owned, controlled, or a part, either directly or indirectly, of a medium or large business that meets the law's definition of a small business.

Meanwhile, micro-enterprises are self-contained productive economic enterprises operated by individuals or businesses that are not subsidiaries or branches of companies that are owned, controlled, or become a part of micro-enterprises, small-scale businesses, or large businesses that meet the Act's micro-enterprise criteria. Several government entities, including the Ministry of Industry and the Central Statistics Agency (BPS), have utilized the number of workers as a measure to identify company scale amongst micro, small, medium, and big firms in addition to monetary worth. Micro-enterprises, for example, are firms with fewer than four permanent employees, small businesses with five to 19 employees, and medium businesses with 20 to 99 employees, according to the Central Bureau of Statistics (BPS). The major business category includes companies with more than 99 employees.

In Indonesia, micro, small, and medium businesses are the most important economic operators. The capacity of micro, small, and medium firms to flourish freely is critical to the future of development. In 1999, the contribution of micro, small, and medium firms to Indonesia's GDP was roughly 60%, with small and

micro enterprises accounting for 42 percent and medium enterprises accounting for 18 percent.

Empowerment of Micro, Small, and Medium Enterprises (SMEs) is critical and strategic in predicting the future economy, particularly in terms of strengthening the national economy's structure. The present national economic crisis has had a significant influence on national, economic, and political stability, with the impact on major firms deteriorating, while SMEs and cooperatives are still comparatively able to sustain their commercial activities.

Individuals or businesses in all economic sectors carry out SMEs, which are self-contained productive business units. In general, the starting asset value (excluding land and buildings), average yearly turnover, or the number of permanent workers are used to distinguish Micro Enterprises (UMI), Small Enterprises (UK), Medium Enterprises (UM), and Large Enterprises (UB). However, depending on which of these three measurement methods is used, the meaning of SMEs varies by nation. As a result, comparing the relevance or function of SMEs between nations is challenging. (Tambunan, 2012). Some of the advantages of SMEs against large businesses are as follows (Partomo & Soejoedono, 2004) are technology innovation has easily occurred in product development, the human relations within a small company, the ability to create quite a lot of job opportunities or their absorption of the workforce, flexibility and ability to adapt to rapidly changing market conditions compared to large companies which are generally bureaucratic, the managerial dynamism and the role of entrepreneurship.

The Central Statistics Agency (BPS) has a definition of SMEs that is based on labor quantity. Small firms have a workforce of 5 to 19 employees, whereas medium-sized enterprises have a workforce of 20 to 99 employees. According to the Ministry of Finance, Small Businesses are persons or commercial organizations that have carried out activities/businesses with annual sales/turnover of Rp. 600,000,000 or assets (assets) of Rp. 600,000,000, as defined by Ministerial Decree No. 316/KMK 016/1994 dated 27 June 1994. (excluding land and buildings occupied). For example Firms, CVs, PTs, and Cooperatives, namely in the form of business entities. While examples in the form of individuals include home industry craftsmen, breeders, fishermen, traders of goods and services, and others.

C. RESEARCH METHOD

This qualitative study aims to describe the impact of The CARE policies on MSMEs in Medan City. The location of the research was carried out in the city of Medan with the consideration that Medan City is the third big city in Indonesia as well as the capital city of North Sumatra Province which is one of 22 regencies/cities in North Sumatra that implements the CARE policy with the largest population and Gross Domestic Product respectively. of 2,435,252 people and Rp 68,766,609.71 in 2019 (BPS, 2021)

Data collection techniques used are interviews, observation, and literature study. Semi-structured interviews were conducted to facilitate and clarify the direction of the research openly and interviewees were asked for their opinions.

Researchers conduct face-to-face interviews or by telephone with the intended informants, then listen and record any information obtained. Thus, researchers get information about data related to research problems. The informants in this study consisted of the North Sumatran MSME Association, the Medan City Cooperative and MSME Service, and a minimum of 5 SMEs operating in the city of Medan. The informants were chosen because they represent SMEs in the city of Medan; from SMEs, and professional organizations, to regulators.

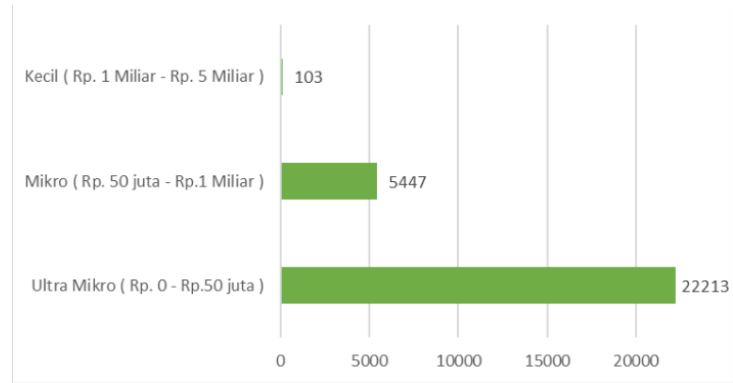
D. RESULTS AND DISCUSSION

Following the object of research studied in this study, based on data obtained from the Department of Cooperatives and SMEs in Medan City, it is known that the number of SMEs in the city of Medan is 27,763 business units. The largest SMEs business sector, respectively, is wholesale and retail trade, car repair, and motorcycles with 15,479 units, followed by the accommodation and food and beverage sector with 10,548 units, and the third largest, namely the other service sector, with 786 units. For more details, see table 1

Table 1.
Distribution of SMES in Medan City by Business Sector

No	Business Sector	Amount
1	Processing industry	223
2	Information and communication	8
3	Health services and social activities	2
4	Other services	786
5	Education services	4
6	Company services	3
7	Construction	1
8	Water Supply, Waste, Waste, and Recycling Treatment	7
9	Procurement of Electricity, Gas	5
10	Provision of Accommodation and Food and Drink	10548
11	Wholesale and Retail Trade, Car and Motorcycle repair	15479
12	Agriculture, Forestry, and Fisheries	650
13	Real Estate	1
14	Transportation and Warehousing	46
Total		27763

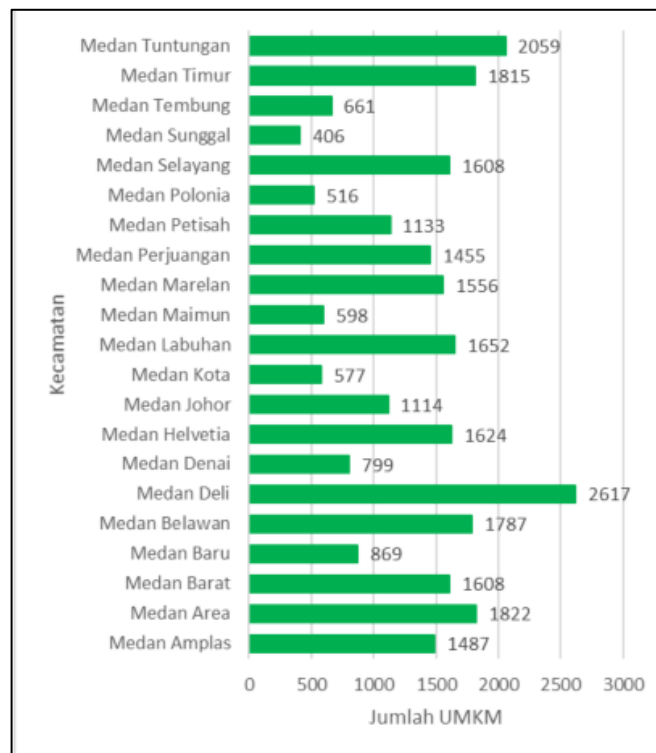
Source: Department of Cooperatives and SMEs in Medan (2020)



Source: Department of Cooperatives and UMKM in Medan (2020)

Figure 2.
Number of SMEs in Medan by Business Category

Furthermore, based on the business category, SMEs in the city of Medan are divided into three categories, namely; ultra-micro, micro, and small. In the city of Medan, the largest number of SMEs based on business category is in the Ultra Micro business which has a maximum income of Rp. 50 million per year. Data on the number of SMEs in the city of Medan by business category can be seen in Figure 2.



Source: Department of Cooperatives and UMKM in Medan (2020)

Figure 3.
Distribution Number Of SMEs In Medan City By Sub-District

SMEs actors are spread in all sub-districts of the city of Medan almost evenly. Of the 21 sub-districts in the city of Medan, Medan Deli is the sub-district that has the most SMEs, with 2617 units, followed by Medan Tuntungan with 2059 units, and the third position is occupied by the Medan Area sub-district with 1822 units. Meanwhile, the smallest number of SMEs is in the Medan Polonia sub-district with 516 units. It can be seen in full in The Department of Cooperatives and SMEs in the city of Medan in carrying out its duties and functions refers to the Main Performance Indicators as shown in table 2. Point (1) on the main performance indicators makes SMES work targets for economic development in the city of Medan.

Table 2.
Main Performance Indicators of Medan City Cooperatives and SMEs Office

No.	Strategic Target	Performance Indicator	Formulation	Responsible Unit	Data Source
1	Improving the position and function of SMEs for the regional economy	Percentage of SMEs that have a NIB (Number of the business parent)	(Number of SMEs that have NIB/Number of Assisted SMEs) x 100%	Head of Small Business Empowerment	Performance evaluation report
		Percentage of Increase in UKM Assisted	(Addition of UKM to be fostered in 2021/Number of MSMEs fostered by 2020) x 100%	Head of Small Business Empowerment	Performance evaluation report
2	Improving the quality of cooperative institutions	Percentage of certified cooperatives in Medan City	(Number of certified cooperatives/Number of Active Cooperatives) x 100%	Head of Cooperative Institutional and Supervision	Performance evaluation report
		Cooperative managers and administrators pass the financial services competency certification	Addition of managers and cooperative administrators who are certified in financial services competence	Head of Cooperative Empowerment and Development	Performance evaluation report

Source: Department of Cooperatives and SMEs in Medan (2021)

The perpetrators of SMEs in the city of Medan are gathered in an organization called UKM Nusantara and several other associations. The existence of an organization that gathers SMES actors is a big potential so it must be made a work partner for the Medan City Cooperatives and SMEs Office. This is done to realize the strategic targets that have been outlined in the Main Performance Indicators.

The Impact of The CARE on SMEs

The wide spread of the pandemic in Indonesia has forced SMEs to persist in carrying out business operations. The increase in Covid cases has prompted the government to introduce the CARE policy, which makes it more difficult for SMEs. CARE may have a positive impact on public health, but the negative impact of CARE also has an impact on the micro economy. Of course, the decline in turnover and income is not the only impact. However, it becomes the estuary for some of the impacts of CARE on SMEs. Based on the results of observations and interviews with several informants, it can be explained the impact of CARE policies on SMEs as follows:

1. Sales Drop

Based on the results of interviews, the biggest impact that SMEs felt was a sharp decline in sales of up to 50-60%. This means that it is difficult for SMEs to manage finances, let alone make a profit. This is not only a negative impact of CARE because even before CARE, there have also been many SMEs whose turnover and sales have decreased due to the pandemic. This is because many layers of society reduce their spending due to decreased purchasing power

It is undeniable, that the implementation of Emergency CARE which has reached Level 4, has made the movement of SMES actors very limited and difficult to reach customers. This is a very formidable challenge for SMEs actors, resulting in a decline in income. This is a result of the limitation of operating hours to take less time to trade which automatically affects earnings. However, this is not the case for SMEs engaged in technology (internet services, data packages) and agricultural products (spices).

Sales are one of the most important activities of a business. A business cannot develop properly if it is not able to sell products, on the other hand, if a business can continue to improve, the business will be able to exist in business competition. In general, there are three main objectives in sales activities, namely achieving a certain sales volume, obtaining a certain profit, and supporting the company's growth (Swastha, 2008).

In sales practice, sometimes sales activities do not run smoothly or there is a decrease in sales volume. The factors that influence these sales are External factors include Government policies, Developments in the World Economy, Socio-economic development of the community, Competition situation. And Internal factors include the production capacity of providing working capital funds is at least for the short term, The buyer's impression of the production, Selling price policy (Winardi, 2001).

Based on the factors causing the decline in sales, the decline in sales of SMEs due to CARE was caused by external factors, which occurred due to government policies, socio-economic developments in the community, and even world economic developments which impacted the economic conditions of Indonesia, especially the city of Medan.

2. Decrease in Inventory of Raw/Finished Materials

Not only did a decrease in income, but SMEs actors also experienced a decrease in the supply of raw/finished materials during CARE. This is due to the CARE policy which limits the mobility of people and goods between cities. Expeditions that have to stop at the border make logistics thin even to the point that it is not clear when the goods will arrive. This certainly affects SMEs, because customers are waiting longer. If not handled properly, it can result in SMEs losing customers.

Based on the results of interviews, it was found that the availability of raw materials was running low or even depleted, both in the form of food and non-food ingredients. This is due to scarcity and also rising prices. If the old goods are used, it can be ascertained that the quality is low due to the time factor. This is also a result of the implementation of the CARE policy. This further forced a decrease in the number of goods produced.

The availability of raw materials in SMEs has a very large influence on smooth production and sales. With the availability of stable raw materials, SMEs can carry out the process of converting raw materials into finished goods so that SMEs can obtain products to serve customer demands. Inventory, production, and productivity of the three are closely related. Inventory has a very important role in a business operation because productivity problems basically cannot be separated from the production system, as well as production system problems that cannot be separated from the inventory system.

Therefore, to avoid some of these problems and ensure a smooth production process, SMEs need to plan, manage and control their raw materials as well as possible. However, planning, managing, and controlling raw materials during the implementation of The CARE is difficult. This is one of the research findings based on the results of interviews with SMEs actors who claim to be in a completely uncertain condition. This uncertainty is the impact of the CARE policy which enforces rules to limit mobility and the obligation to get vaccinations without a clear time because it adapts to the Covid-19 situation.

3. Work termination

The impact of The CARE on SMEs has resulted in reduced store opening times because The CARE rules only allow shops to operate until 8 pm. Not only business units in the form of shops, but home businesses also have to reduce the number of employees and the working hours of their employees. A business unit was closed because of The CARE, so many people had no income. So it can be said that the impact of The CARE on the economy is very broad.

The wave of layoffs that occurred was based on the wishes of the SMEs owners, not their desires. In forced conditions (*force majeure*), SMEs actors must make efficient so that they do not continue to experience losses during the pandemic and The CARE. Call it a food stall business, laundry, convection, perfume which was forced to lay off its employees because of the lack of orders. Based on the results of observations and documentation, it is known that in North Sumatra there was a wave of layoffs in large numbers, at least 56,000 workers,

most of whom came from the city of Medan. Even Medan has been named the city with the most pre-employment card beneficiaries on Sumatra Island, as many as 108,827 people as of September 2021. The pre-employment card is intended for employees who have recently lost their jobs or are unemployed.

The reasons which are seen as strong enough to support the justification for Termination of Employment (PHK) carried out by the entrepreneur on one or more workers are basically as follows (Gultom, 2008) are: Economic Reason which are the decline in production output can also be caused by the decline in the production capacity of the company concerned, declining company earnings, the decline in the company's ability to pay wages in the same circumstances as before, implementation of rationalism or simplification which means the reduction of a large number of workers in the company concerned. And reasons for the worker's self which are do not have adequate work skills and achievements in line with predetermined targets, does not have good behavior: dishonest, lacks a sense of responsibility, is often absent for no reason and others, not having physical strength commensurate with the weight of the task at hand, due to the death of the business owner and no heirs who can continue the working relationship with the worker concerned.

Based on the causes of termination of employment by SMEs actors against their employees due to economic reasons. During the pandemic, especially during The CARE, many SMEs actors experienced a decline in production, sales, and income. This has triggered a decline in the ability to pay several operational expenses, including personnel expenses.

4. Increased Transactions Online

Based on the results of interviews with several SMEs actors, SMEs actors admitted to getting orders online more often during The CARE. Because in times like now not many people travel to shop in person. Therefore, online shopping is their choice, even when the store is in the same location as them. Many micro businesses have increased their online orders, including food stalls, basic food businesses, perfumes, and traditional medicine businesses.

During The CARE, the rules are not allowed to create crowds and *take away purchases*. This is done to avoid the risk of contracting the Covid-19 virus. These conditions force customers to fulfill their needs by shopping online through the application. Based on the results of the interview, it was stated that 246 SMEs actors have peddled their products on the e-commerce application Tokopedia with a transaction value as of May 2021 reaching more than Rp. 1 billion. And in the span of 6 months, more than 2 thousand SMEs products have been sold through e-commerce services.

During the current Covid-19 pandemic, the government has limited outdoor activities. Based on these restrictions, the habit of doing activities outside the home must also switch to doing all activities from inside the house. The policies and sanctions imposed by the government for The CARE violations are quite strict so people are reluctant to leave their homes unless there is a very urgent need. In meeting their needs, many consumers make purchases of necessities through e-commerce. The Association of Indonesian Internet Service Providers

(APJII) stated that there was a significant increase in Internet use among the Indonesian people during the period of The CARE implementation. For more details, see Table 3.

Table 3.
Behavior Of Indonesian Internet Users Based On Commercial Content During PSBB

No	Content-Type	User Amount (Million)	Total Percentage of Internet User
1	Online Shop	82,2	62
2	Personal Business	45,3	34,2
3	Others	5	3,8

Source: APJII Survey, 2020

This is following the results of a study conducted, that the commercial content most frequently visited by internet users during the Covid-19 pandemic was online shops. This has attracted various parties to market their products through e-commerce, including SMEs. Every consumer has a different perception, therefore every e-commerce and SMEs actor in the city of Medan must be able to know things that can influence the consumer's purchase decision.

5. Innovation Improvement

Every entrepreneur must have an innovative nature and be sensitive to the surrounding environment, and must always create new ideas and breakthroughs in the resulting products. In the CARE era, a good product is a product that can provide a high return to the community at an affordable price, and has a competitive advantage and an adequate marketing system. This can be achieved through product diversification.

All the conditions that occurred during The CARE forced SMES actors to think hard to decide to diversify their products. Product diversification is carried out to maintain business continuity so that it can survive during the pandemic. Some things that SMEs do, for example, are innovation or adding different products to provide additional services. This is important to do, one of which is to create customer satisfaction and ultimately create customer loyalty (Rosmadi, 2021).

Quality human resources in SMEs activities are expected to be able to increase innovation and creativity for the products produced. In addition, with the support of adequate human resources, the business that is run can be a winner amid business competition (Faizal et al., 2018; Aenurohman, 2020; Leonandri & Rosmadi, 2018). Innovation and creativity from both business actors and employees, it has an impact not only on product quality but on increasing the number of sales, products are difficult to imitate, and can absorb more workers (Heye, 2006; (Loewe & Dominiquini, 2006).

Small enterprises are an important aspect of the micro-economy, which is anticipated to enhance people's lives. In the middle of the COVID-19 epidemic, SMEs activities are enterprises that must be properly managed and supported by

the innovation and originality of the items they generate to remain competitive. Hadiyanti (2011), Larsen & Lewis, (2007), and Keeh et al., (2007) argue that if small industrial businesses use innovation and creativity in their output, they may grow and achieve their goals. The results of empirical research conducted by Satria (2011), Darwanto (2013), and Yunal (2013) that innovation and creativity are extremely beneficial to small firms and have a big impact on their growth.

Based on the results of interviews, it is known that there are several SMEs that have added their services, such as providing *hotlines*, *delivery* services, and improving hygiene standards. In addition, there are also SMEs that diversify their products, for example in food stalls that add healthy food and drink menus typical of anti-covid-19 or perfume sellers who also sell internet data packages.

SMEs Strategy During the CARE Period

According to the findings of the study, not all SMEs saw a loss in sales turnover and had to close their doors; some SMES remained steady and enjoyed a rise in sales turnover because they made product modifications and used many methods to survive the CARE period. Because a firm that can thrive is a business that is flexible to environmental changes, SMEs may do several things, such as establish a new product line or update their marketing system. The following are the methods used by SMEs in Medan during the CARE period:

1. Digital Marketing

The SME's marketing strategy will not be optimal if it is only carried out through SMS centers, modern markets, and participating in exhibitions. This is due to the proliferation of services online in the *marketplace*, changes in technological features, as well as internet services that can be accessed anywhere. Coupled with the CARE policy which requires everyone not to raise a crowd. This necessitates SMES players' ability to promote their products effectively as well as their ability to think creatively and innovatively. Digital marketing is one of the strategies used by SMEs actors to advertise their products. It is hard to ignore today's quickly evolving digital environment. According to marketing expert Yuswohadi, SMES actors must be able to utilize the benefits of digital development if they wish to thrive. (Purwana et al., 2017).

Digital marketing is a promotional activity and market search conducted online using digital media, such as social media (Purwana et al., 2017). Social media marketing, such as marketing items on Instagram, Facebook, Twitter, and other platforms is a popular digital marketing approach utilized by business actors. Digital marketing must also be understood and studied by SMEs due to rapid technological advancements.

According to the findings of interviews and observations, SMEs actors engage in several types of digital marketing to be able to do product marketing, including (1) publishing videos and product photos through social media based on market segmentation, and (2) heavily involving consumers in product selection, education, and introduction to product quality on social media using creative words and hashtags (#) to make it easier for consumers.

Research (Hendawan et al., 2019) argues that digital marketing has a good and considerable impact on SMEs sales success. Because of the simplicity and ability of digital marketing to reach more customers, 70 percent of creative entrepreneurs believe it will become the primary communication platform in marketing, with physical businesses serving as a supplement. This is also in line with research conducted by (Purwana et al., 2017) which states that to continue to grow their firm, business actors must acquire bravery in attempting new things like digital marketing.

When it comes to digital marketing, SMEs players must continuously be learning and thinking about new technology. Of course, digital marketing takes into account the use of appropriate media and communication methods that are targeted to the target market group or share. As a result, marketing will be more effective and less misguided. (Maylinda & Sari, 2021).

2. Use of E-Commerce

Due to the trend of individuals staying at home during COVID-19, direct sales typically fell. Furthermore, many SMEs has chosen not to open their shops or companies due to operation hours limits or the adoption of The CARE. Entering the digital world is one strategy to stay in business, reach new customers, and increase market share. To deal with this, SMEs players might use digital platforms to grow their network and market through e-commerce sales.

Almost all activities and people's mobility, such as doing E-commerce, are now conducted through digital media. (Susanto & Pangesti, 2021). E-commerce is the practice of consumers and businesses purchasing and selling things online through the use of a computer as a middleman for commercial transactions. (Laudon & Traver, 2017). E-commerce, which began as an online retail sales mechanism, has evolved into a much larger term. E-commerce has spawned a new digital marketplace with more transparent prices, more accessibility, and a worldwide marketplace with extremely efficient trading. E-commerce has a direct influence on the interaction between firms or business actors with suppliers, consumers, and rivals, and may quickly promote items or adopt marketing tactics for other businesses, even if it isn't flawless. Some of the e-commerce platforms utilized by SMES players in Medan include shopee, tokopedia, bukalapak, OLX, gojek, and lazada, among others.

Research Helmalia & Afrinawati (2018) and Setyorini et al. (2019) declare that e-commerce has a favorable and significant impact on SMEs performance and revenue. However, different results were obtained in research by Hardilawati, (2020), In the case of small firms, e-commerce has a beneficial but little impact on marketing success. Business actors are recommended to be able to trade e-commerce in this situation, but they require aid from the government or practitioners, as well as education, to be able to offer direction to business actors so that they have adequate knowledge and can utilize e-commerce efficiently.

The main hope of SMES actors using e-commerce is to increase their profits, but other hopes can be used by business actors, such as being able to reach a wider market share, which was previously limited to selling only in certain areas, and being able to reach new consumers, thanks to the existence of e-commerce. SMEs

players may utilize e-commerce to not only sell, but also to form connections, create new market concepts, employ a more effective marketing system, and make it a learning medium. Competitors' sales can also be seen and observed by SMEs actors, who can then adopt them.

3. Product and Service Diversification

Product diversification refers to the process of varying items to maximize profit. The product diversification strategy may be implemented in three (three) methods, the first of which is concentric diversification, in which new items are offered that have a marketing or technological link with existing products. Horizontal diversification occurs when a corporation introduces new items that are unrelated to existing products yet offered to the same clientele. Diversification of a conglomerate in which the items created are wholly new, have no marketing or technological ties to current products, and are offered to various clients.

The implementation of product diversification is a very important activity carried out by SMEs in dealing with The CARE policies. In this study, it is known that there are several SMEs that diversify all three products and services at once, namely by adding services such as providing *hotlines*, *delivery* services, and improving hygiene standards. In addition, there are also SMEs that diversify their products, for example in food stalls that add healthy food and drink menus typical of anti-covid-19 or perfume sellers who also sell internet data packages.

Product diversification by SMEs in the city of Medan is carried out to adapt products to environmental conditions and consumer desires, as well as people's purchasing power during the pandemic. This is done as an effort to achieve stability, trying to achieve optimal inputs and outputs and the most important thing is to ensure the sustainability of SMEs themselves.

4. Product Quality Improvement

Consumers are becoming more cautious while utilizing goods and services in the wake of the Covid-19 epidemic, and consumer confidence in corporate actors' goods and services has dwindled. Furthermore, consumers' limits in making direct purchases influence the large decrease in the volume of consumer transactions.

Study Lestari & R (2019) and Tripayana & Pramono (2020) state that SMEs actors should improve product and service quality since it has a favorable and substantial impact on molding consumer happiness and loyalty. As a result, during the COVID-19 epidemic, corporate actors must pay close attention to product quality dimensions and enhance their products to boost customer confidence.

Product quality is described as a product's capacity to fulfill the demands and wishes of consumers (Philip & Keller, 2016). As a result, SMEs must enhance product quality regularly by altering consumer wants, wishes, and expectations. According to Garvin (1998), Product quality is determined by eight factors, the first of which is product performance, or how effectively the product can be measured. (2) extra features or traits that complement and enhance the functionality of the product. (3) Reliability, or the product's capacity to resist potential changes in the business environment over time. (4) Product

appropriateness, or how well the product adheres to industry standards. (5) From a technical standpoint, product durability or resistance, as well as economic value (6) Product repair is simple if there are issues that can be resolved quickly. (7) product aesthetics, or how the product looks, sounds, or feels. (8) Consumer views of product quality, can be influenced by brand reputation and other variables.

The form of product quality improvement carried out by SMEs in the city of Medan is to control product quality in more detail and ensure product cleanliness and safety. In addition, SMEs actors also adjust product resilience so that product durability and safety must be further improved. This is done as a follow-up impact of online sales because customers have the space to assess the products offered and consumed.

5. Customer Relationship Marketing

During this Pandemic period, the Medan city SMEs did not only maintain their products and keep their existing customers but also focused on attracting new customers. One of the ways that SMEs in Medan city can do to survive amid declining business activity in the implementation of The CARE is to do *customer relationship marketing*. *Customer Relationship Marketing (CRM)* is a marketing strategy concept that seeks to establish long-term relationships with customers, namely maintaining strong and mutually beneficial relationships between service providers and customers that can build repeat transactions and create customer loyalty.

According to research by Naili et al., (2017), By boosting relationship quality and entrepreneurial mindset, customer relationship marketing has a favorable and considerable impact on SMEs marketing success. The higher the quality of SMEs actors' relationships with customers, suppliers, and others, the more likely they are to increase their marketing performance. Furthermore, business actors that are willing to take chances, have prior business experience, and are adaptable can expand networks and gain customer confidence, allowing consumers to survive. In a study conducted by Hardilawati (2020), it was discovered that CRM outcomes had a favorable but not significant influence on increasing SMEs' performance. This is because SMEs actors have limits and have not been fully utilized in CRM.

Based on data gathered through interviews and observations, Medan city SMES actors have expressed concern for consumers who are having difficulty during this time of covid-19, namely by increasing empathy for the outbreak by providing promos or free product schemes for couriers who provide delivery services and setting aside a portion of the revenue from product sales for people in need. This was done by SMEs in Medan to increase trust among consumers who don't just worry about themselves, but also establish consumer marketing connections by demonstrating concern and other pleasant behaviors. Furthermore, SMEs actors have connected with customers extensively through different promotional media and e-commerce-owned platforms, such as resolving sales complaints or reacting to favorable consumer replies, resulting in positive customer engagement.

Overall, in Islamic Economics, the strategy carried out by SMEs actors in the city of Medan is a human effort to maintain their lives and worship social welfare. Allah and His Messenger commanded his people to work, that every human work will continue to be seen by Allah and His Messenger as a practice that will be accounted for at the end of time. This command applies to everyone regardless of one's rank, status, and position, in the Qur'an, explained in Surah At-Taubah (9), verse 105.

The results of this study are directly proportional to previous research, namely research conducted by Hardilawati (2020) entitled "SMEs Survival Strategies in the Middle of the Covid-19 Pandemic". From the results of research conducted by Wan Laura obtained several survival strategies that can be carried out by SMEs affected by the Pandemic such as making sales with E-commerce, increasing digital marketing, improving the quality of business actors' products, improving services, and establishing good relationships with customers.

This study also obtained results that were directly proportional to previous research, namely the research conducted by Aryansyah et al., (2020) entitled "Survival Strategy for Micro, Small and Medium Enterprises in the Culinary Sector During the Covid-19 Pandemic." The results of the research carried out resulted in strategies that could be applied by SMEs, especially in the culinary sector to maintain business continuity SMES could implement marketing strategies through social media such as Instagram, Facebook, and WhatsApp. Then collaborate with online transportation service providers such as Gofood and Grab food, innovate sales products that are consumer needs amid the current pandemic and finally increase customer trust.

Furthermore, this research is also in line with previous research, namely research conducted by Alfrian & Pitaloka, (2020) entitled "Micro, Small, and Medium Enterprises (SMEs) Strategies to Survive the Covid19 Pandemic Conditions in Indonesia". From this research, it was obtained several strategies can be applied by business actors amid the Covid-19 pandemic such as, doing marketing with digital marketing, improving the quality of human resources such as employees and those involved in SMEs, and increasing creative innovation, and improving services to consumers. Through the strategy described, it is hoped that SMEs in Indonesia will be able to survive the crisis due to the Covid-19 pandemic.

E. CONCLUSIONS

Several impacts are caused by the implementation of The CARE on SMES actors in Medan City, but this can be circumvented with several strategies carried out by SMEs both independently and facilitated by the Medan City Cooperatives and SMEs Office. Several impacts resulting from the implementation of The CARE on SMES actors in Medan City are: (1) a decrease in sales, (2) a decrease in raw/finished goods inventory, (3) termination of employment, (4) an increase in online orders, and (5) increased innovation. However, not all types of SMEs businesses experienced a decline in sales. This impact is excluded for SMEs who are engaged in business in the field of technology (internet data packages) and agricultural products.

In addition to the impact, this study also examines the strategy of SMEs during the implementation of The CARE in the city of Medan. The strategies are; (1) Digital marketing, (2) Use of E-Commerce, (3) Diversification of products and services, (4) Improving product quality, and (5) *Customer Relationship Marketing*. Specifically for strategies related to digitalization, Medan City SMES received support from the Medan City Cooperatives and SMEs Service, for example, digital SMEs data collection, SMES education, guidance on the digital economy, and SMEs involvement in the procurement of E-Catalogs.

The next challenge for SMEs is to improve marketing and financial performance through digital platforms. For this reason, SMEs actors must have the knowledge, skills, and high competitiveness so that they can use the platform effectively. Furthermore, SMEs actors are also advised to continue to hone their creativity and innovation in diversifying products, maintaining good relations with consumers, and reading market opportunities.

It is recommended to the Medan City Cooperatives and SMEs Office to provide comprehensive digital economic education to SMEs actors, encourage the emergence of SMEs superior products, and accelerate the business transformation from informal to formal. These three things were carried out to support the Main Performance Indicators of the Medan City Cooperatives and SMEs Service with the strategic target of increasing the position and function of SMEs for the regional economy.

The community should continue to give appreciation by conducting buying and selling transactions to SMEs actors so that they can contribute to increasing regional economic growth. Finally, further researchers, to be able to conduct correlative and comparative studies in urban areas in conducting a study of The CARE policy analysis on SMEs. In addition, it is also recommended to conduct a study on the effectiveness of the SMEs strategy during the implementation of The CARE.

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