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JIAE-D-20-00208

Acceleration Of Performance Recovery And Competitiveness Through Non – Banking Financing In SMEs Based On Green Economy: Impact Of Covid-19 Pandemic  
Sriyono Sriyono, -; Sarwendah Biduri, Magister Science; Bayu Prayogi, Magister Science  
Journal of Innovation and Entrepreneurship

Dear Dr Sriyono,

Your manuscript "Acceleration Of Performance Recovery And Competitiveness Through Non – Banking Financing In SMEs Based On Green Economy: Impact Of Covid-19 Pandemic" (JIAE-D-20-00208) has been assessed by our reviewers. Although it is of interest, we are unable to consider it for publication in its current form. The reviewers have raised a number of points which we believe would improve the manuscript and may allow a revised version to be published in Journal of Innovation and Entrepreneurship.

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Reviewer reports:

Editors' comments ( if any ) :

**Reviewer #1:** This is an interesting paper, but it needs important corrections in every section. For instance, the section of Abstract is too large for such a short paper. It could be reduced to not longer than 100 words. The background would be named Introduction in which you can introduce the content of your paper. In this section you have used too many references in which sometimes it gives the impression that this is the literature review rather than an introduction. Here you should specifically state the aim of the paper, why do you think that the paper is important, what are the main findings and more importantly what is the contribution of the paper to the field. In this section you should also provide the structure of the paper, which in your case is missing. In the section of methodology you should be more concise about the way that you have conducted the survey, how many respondents you have contacted, what are the questions that you specifically asked, end so forth. Also in the data analysis section you could provide clearer interpretation. Perhaps you can use a table through which you could organise and present in a better way your thoughts. Conclusions section is specifically too short and superficial.

**Reviewer #3:** activities.

The paper requires deep changes before (a possible) publication. In particular, the paper requires:

1. a deep proofreading,
2. to rewrite the abstract to emerge the aim of the paper. In this moment the abstract is confused and too long,
3. the first section must be an introduction not a background,
4. the literature review must be improved (see below for some suggestions),
5. the methodology must be developed better,
6. the results must be presented in a different way (not questions and answer but in a descriptive way)

#### REFERENCES SUGGESTED

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Creativity and Innovation Management, 2017, 26(3), pp. 247-255

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**\*\*Our flexible approach during the COVID-19 pandemic\*\***

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# Journal of Innovation and Entrepreneurship

## Acceleration Of Performance Recovery And Competitiveness Through Non – Banking Financing In SMEs Based On Green Economy: Impact Of Covid-19 Pandemic --Manuscript Draft--

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| <b>Order of Authors Secondary Information:</b>       |   |
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| <b>Additional Information:</b>                       |   |
| <b>Question</b>                                      | <b>Response</b>   |

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## Acceleration Of Performance Recovery And Competitiveness Through Non – Banking Financing In SMEs Based On Green Economy: Impact Of Covid-19 Pandemic

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### ABSTRACT

Many previous studies have examined the effects of covid-19 on Small Medium Enterprise but never discussed how to accelerate Small Medium Enterprise performance. This study aims to accelerate the recovery of Small Medium Enterprise performance affected covid-19. This research type is interpretive qualitative, data validity test using credibility and transferability test, Data analysis technique using research data reduction, presenting data, and drawing conclusions. The conclusions obtained in this study are financing coming from non-banks when the Covid-19 pandemic conditions are very beneficial for Small Medium Enterprise, and Small Medium Enterprise are still able to compete globally.

Keywords: acceleration recovery, performance, competitive running, and non-banking financing, and competitive excellence

### Introduction

The covid-19 pandemic and the government's policies have resulted in a decrease in SMEs performance. This event is a big problem for SMEs due to the drastic decline in performance, and SMEs can no longer compete at the international marketing level. This research is fundamental to do if it will not cause bankruptcy from SMEs and will cause a more significant effect on the unemployed.

It is necessary to determine traditional financing for small and medium-sized micro enterprises already widely available. They can no longer support SMEs because of their complicated requirements, including funding derived from the combined capital (Rossi, 2015). Another problem faced by entrepreneurs is the difficulty of marketing SMEs products in the era of Globalization not to afford to compete.

In the covid-19 pandemic event, SMEs are generally only able to provide less than one-third of the required working capital, as additional money is needed (Waniak-Michalak et al., 2018). To innovative efforts to overcome the Covid 19 pandemic, this requires mediation from other parties to be more successful. In addition to financing issues, SMEs in Indonesia also have the advantage of competing with Malaysia and Thailand. According to Global Competitiveness Index 2015–2016 rankings and 2014–2015 comparisons, Indonesia ranked 37th while Malaysia is ranked 18th and Thailand at number 32. (Schwab, 2015).

It recognized that SMEs have a significant role in job creation, driving the economy's wheels in the countryside, and providing a role in addressing unemployment and poverty. Nevertheless, a covid-19 pandemic caused SMEs activity to become hampered and no longer able to run. Preliminary research (Sriyono et al., 2020) mentions several financing models for SMEs affected by Covid 19. Still, some of these models have not been implemented in the field correctly, so it is necessary to take an approach and assistance to SMEs and entrepreneurs to be able to conduct mutually beneficial cooperation.

This research aims to accelerate improving SMEs performance and competitiveness through Non – Banking Financing so that SMEs can return to production. This research is very feasible to do. This research will find how to overcome SMEs problems about the lack of capital and difficulty in marketing experienced during the Covid-19 Pandemic. Also, this research will make a significant contribution for

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3 SMEs to overcome the problems faced and for the government will process inputs that used to provide  
4 policies on financing.  
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## 8 **2. Literature review**

### 9 2.1 SMEs base on Green Economy

10 Despite its many advantages, SMEs also face problems. The issue differs in each Country, depending on  
11 how it affects performance (Noble, 2004). In advanced economies, small and medium-sized enterprises  
12 are more related to intellectual property protection, such as patents on export products. While in  
13 developing countries such as Indonesia, the problems faced in the development of , SMEs especially  
14 concerning aspects of business management capabilities and limited access to productive resources.  
15 (Abraham & Schmukler, 2017)

16  
17 The increase in knowledge and expertise is necessary to improve business management's ability,  
18 especially in the era of Globalization needed to encourage the competitiveness of international market-  
19 oriented SMEs products (Wiklund & Shepherd, 2005). There are many types of training provided by the  
20 government so far. Still, this activity is more routine, with material too theoretical, and a relatively short  
21 time to touch SMEs actual needs. The relationship between the market and its current performance with  
22 satisfactory performance will have a competitive advantage (Pelham, 2000).  
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25 These technological constraints can be caused by many factors, including capital limitations, to buy new  
26 machines to improve. Besides that improve the Company's performance, including production processes,  
27 limited information about the development of new technologies or production tools (Murphy, 1996), and  
28 hr limitations in operating new information technology machines or devices, making it challenging to  
29 make innovations products and production processes. In an era of free trade and global competition,  
30 modern technology's use and mastery will become more important than natural resource factors to  
31 increase competitiveness and comparative advantage into a competitive advantage.  
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33 Also, SMEs whose activities based on the green economy have long-term advantages, as conveyed in  
34 the study (Sriyono, 2015). Still, after that, they will gain customers' trust because the products include a  
35 green economy.  
36

### 37 2.2 Financing from Non-State Budget

38 Other obstacles faced by SMEs are financial problems in the form of lack of capital and difficulty  
39 access (Angela, 2011) to obtain good capital in the form of credit (Arráiz et al., 2014) from financial  
40 institutions, especially banking (Beck et al., 2011). This problem is common in novice Small Medium  
41 Enterprise (SMEs) , who do not have a business license, located in inland areas, with inadequate  
42 infrastructure conditions, making it difficult for financial institutions to reach actors with existing  
43 communication and transportation  
44 means.  
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47 It also is acknowledged that the difficulty of obtaining financial assistance from banks is due to  
48 several challenging requirements to meet by SMEs and the absence of a strong legal or regulatory basis  
49 for a high-risk business. SMEs financial structure is straightforward and more comfortable to meet (Beck  
50 et al., 2013) to obtain loans with easy terms, but it becomes difficult due to complicated regulations.

51 Financing originating from Non-State Budget can be various sources, can come through partnering  
52 between entrepreneurs and governments, or through partnerships between companies and SMEs or from  
53 funds from Corporate Responsibility Social ( CSR)  
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### 55 2.3 Digital Marketing

56 Competition pressures also arise due to the lack of accurate and up-to-date information about market  
57 opportunities in Bank Indonesia's Role Small Medium Enterprise (SMEs). Profile in supporting the  
58 performance of Micro, Small, and Medium Enterprises Development companies and abroad (Wiklund  
59 & Shepherd, 2005). Besides, in an era of openness and free trade, which many countries in the world  
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3 have agreed, such as agreements in the Asian Free Trade Agreement (AFTA), European Union (EU),  
4 and World Trade Organization (WTO), demand market openness in each Country. Meanwhile, the rapid  
5 development of regulations issued by developed countries, which can hinder the growth of Indonesian  
6 SMEs from penetrating global markets, including a ban on the use of child labour, the necessity to pay  
7 attention to environmental preservation and the protection of Human Rights.  
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### 10 **3. Research Methodology**

11 This research uses a qualitative approach (Creswell et al., 2007). Using interpretive methods  
12 (Lukka & Modell, 2010) this approach is very appropriate because this study interprets the results in-  
13 depth interview with key informants. This research also intended to get talks about something new little  
14 known and give the intricate details about the phenomenon of Covid 19 that is difficult to disclose by  
15 quantitative method (Strauss & Corbin, 2003).  
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18 The research focuses on understands and analyzes the informant's opinion on SMEs problems  
19 due to Covid 19. The key informants in this study are several Small Medium Enterprise (SMEs). The  
20 use of crucial informants intended to allow researchers to obtain complete and more holistic information  
21 and some five experts in financing as a snowball for supporting information (Marshall, 1996).  
22

23 The data collection process is through an in-depth interview (Moleong, 1996), documentation,  
24 and observation. This research data's validity test is conducted with several stages: credibility and  
25 transferability (Senton, 2004). In-depth interviews are conducted with 25 SMEs owners established for  
26 five years with an interview time of 45-60 minutes on each informant. Besides, it also involved 5 SMEs  
27 financing experts who conducted a 60 minute and 75minute interview. Interviews are conducted via  
28 teleconferences to all SMEs and experts. The question asked to SMEs is about the impact of covid-19 on  
29 SMEs performance and the problems posed. Financial experts asked what model is suitable for SMEs  
30 during the covid-19 pandemic and how to overcome current marketing problems. Credibility is using the  
31 source triangulation and triangulation method (Hussein, 2009). Transferability is by making detailed,  
32 systematic, and trustworthy research reports.  
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35 Qualitative data analysis is a continuous, repetitive, and constant effort consisting of three flows  
36 of activities that occur together with (Muhson, 2006): Reduction of research data, data display, and  
37 concluding.  
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### 40 **4. Result and Discussion**

#### 41 **4.1 The Impact of Covid 19 on SMEs**

42 The emergence of the Covid-19 Pandemic in the world has a significant impact in Indonesia,  
43 especially on SMEs entrepreneurs, resulting from these events, causing a decrease in SMEs performance  
44 and competitiveness. Therefore, in this study, interviews were conducted to what extent the impact of  
45 covid 19 was. This research is a development from the initial research undertaken by (Sriyono et al.,  
46 2020). The first in depth interview, we do to SMEs around the Company.  
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| In dept interview & Discuss                                  | SMEs ) respond Small Medium Enterprise (SMEs)   | Triangulation Test  |
|--|---|---|
| how is the operation of SMEs during this Covid-19 pandemic?  | <i>the business we do that automatically stops because no one buys, so we have no income. Finally, we are also unable to sell</i> | Then triangulation is done on SMEs located. Differently, the answer we get is the same, that during pandemics, the SMEs cannot run their business |
| whether you cannot try other companies that can be bought by | <i>We have an idea, but it can't be executed because we don't have</i>  | We're always thinking about wanting another business, we have   |



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| the surrounding community, e.g., drinks or fried foods, | <i>any more capital. The savings we have to survive to meet the blindness of family life.</i> | a desire to sell simple food and drinks that are easy to sell, but we have no capital; our capital is up for daily life. |
|---|---|--|

SMEs based on the green economy have a good performance and are SMEs responsible for environmental hygiene. Also, they have a significant role in reducing roasting and poverty and significantly contribute to national development. Nevertheless, the emergence of Covid 19 pandemic toughness owned by Small Medium Enterprise (SMEs) cannot withstand the decline in people's purchasing power.

Unlike other large companies, unique SMEs characteristics require a particular model form that accommodates their uniqueness. Most SMEs are feasible but not bankable. Possible here, SMEs in business meet all the requirements to get additional capital from banking because SMEs can profit regularly from the business activities. But bankable, SMEs become not Bankable because most SMEs not meet the banking authorities' administrative requirements, especially regarding the financial bookkeeping system. So, it needs a unique financing model that can accommodate the interests of SMEs. For banks, the desire of SMEs to obtain financing becomes challenging to agree. This is because the banks are unable to monitor and focus on marketing, production, and managerial assistance. The policy and operational standards of procedures owned by banks do not allow to adopt all the wishes of SMEs, let alone coupled with the human power owned by banks is very minimal when compared to SMEs that need to be served

4.2 Decreased performance and competitiveness of SMEs

| In-depth interview & Discuss                     | Respond Small Medium (SMEs)   | Triangulation Test  |
|--|---|---|
| how do SMEs perform during the covid-19 pandemic | <i>This Covid-19 is very troublesome for us because the food we do both in the store and in the market no one buys because they should not leave the house.</i> | Then triangulation is done on SMEs located. Differently, the answer we get is the same. |

We also ask about the decrease in the competitiveness of SMEs due to the covid-19 pandemic conditions. In the era of industry 4.0, all entrepreneurs required to digitalization to compete, marketing or their part that has the role of selling all products owned, but as it is known that the resources owned by SMEs are less maximal so that they are not able to compete (Chadwick & Dabu, 2009). Therefore, breakthroughs needed in digital marketing, Nowadays the development of the science of marketing has entered the digital world so that digital marketing appears, digital marketing continues to develop through social media such as Instagram, Facebook, WhatsApp, Twitter, and many more. To avoid a decrease in SMEs performance and competitiveness, it is now necessary to think that business innovation can be done through digital marketing (Coluccia et al., 2020)

4.3 Competitiveness and digital marketing

| In-dept interview & Discuss                             | Respond Small Medium (SMEs)   | Solution that problem  |
|---|---|--|
| How the marketing system has been done so far           | During this time we sell our goods through the shop at home and directly to the traditional market. We're still not able to do marketing online | The government should socialize with all SMEs to start learning to do digital marketing. |
| Is there a rescue program for SMEs by providing capital | <i>? The Central Government policy is the first step in transferring the funds for Covid 19 but allocated</i>                                   | Government policy must do to businesses because so far the                               |



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| derived from the particular budget for digital marketing | <i>first for health care. While the allocation assistance for additional capital has no specific policy, the government has not provided financing assistance directly because SMEs are challenging to apply for loans. After all, the Company is not bankable.</i> | procedure is only on macroeconomics. |
|  |   |                                      |

Since the emergence of covid 19 pandemics, for businesses or SMEs whose sales system conventional models will experience a decrease in purchasing power, shoppers can not visit or go to shops, markets, and malls to buy goods because of lockdown policy. Therefore, innovation is needed so that SMEs can develop (Licuanan et al., 2015). This policy impacts marketing that still uses conventional models will be difficult to market.

Therefore, it is necessary to find a breakthrough new model that is a digital marketing model; through this model, all products is offered through the internet or social media. The problem is that many SMEs do not understand and understand how to sell online, so education and mentoring are needed to make sales online.

4.4 The Government's Role on SMEs.

The government as a regulator has an important role and obligation to help the problems caused to the impact of covid-19 experienced by SMEs, because of whether the local government has ever gathered SMEs to provide loan information.

| In-depth interview & Discuss   | Respond SMEs   | Solutions that problem  |
|--|--|---|
| how the role of local governments in dealing with the impact of Covid-19 | <i>The provincial government once provided information that it would be training assistance and self-help, but the implementation was not gradual, so we waited for the condition. We need more capital to create or open a new business that is currently trending, but we have not yet gained a way out.</i> | The government should provide socialization to SMEs to start educating business settlements due to covid 19 continuously. |

However, the government's assistance pattern is directly in the field without continuous education and assistance. It can understand because the government has enough resources to do so. Finally, this burden is all returned to SMEs and the community to assist in addressing the problem. Some educational institutions have also done assistance through entire lecture programs and direct community service to SMEs. Still, this result is not maximal because of such activities integration between the trustees, educational institutions, and non-banking financial institutions.

4.4 Financing for SMEs from companies through corporate social responsibility

In addition to the government, we also give to companies located around the location of Small Medium Enterprise (SMEs). As it is known that every Company has a corporate social responsibility program.

| In-depth interview & Discuss | Respond Small Medium Enterprise (SMEs) | Solution that Problem |
|------------------------------|--|-----------------------|
|                              |  |                       |

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|--|---|--|
| are the companies around here not assisting  | The Company has assisted SMEs around the Company but has not been effective   | The Company should coordinate with the government and SMEs to make intensive cooperation   |
| What cooperation do you do with the Company  | <i>we are involved in existing work; for example, we are given a project to choose suitable raw materials for the production process. We are given wages, those wages we use as additional capital, the additional capital we receive until now</i> | Companies can offer several types of cooperation with SMEs that are suitable and can be done by SMEs   |
| Does this mean that you are receiving the current financing assistance in that way | <i>Yes, sir, at the end of the day, we get additional capital through that way. although the amount is not large, but we can get it regularly even if the funds are not large</i>   | <i>The funds we get are uncertain depending on the type of work we can do, but the average is between IDR 150,000 – IDR 200,000 per week. So the total fund is around Rp 1,000,000</i> |

Many alternatives can do to solve it (Cusmano & Thompson, 2018) the SMEs problems. However, financing is a credit with a guarantee (Biernat-Jarka & Planutis, 2013) when granted on favourable terms. Based on the question, it can interpret that SMEs financing can be obtained from the fund even if the amount is not large; at least SMEs can do the activity again to do business, all of it depends on the Company's size. If the policy facilitates SMEs contact with the banks, then the financing problem will be more comfortable (Berger & Schaeck, 2011). Either through credit (Fatoki, 2014) for SMEs engaged in food stalls or small business drinks than with the fund can innovate other businesses that can be useful in covid 19 pandemics, for example doing buy and sell masks, what makes drinks from spices that can add immune power to the body or household cuisine with system online and this will improve performance (Eniola & Ektebang, 2014)

#### 4.5 Expert Opinion

| Discuss with Financial Expert           | Financial Expert Opinion  | Solution that problem   |
|---|---|---|
| What there opinions about their problem | <i>The problem facing SMEs from the past until now is to remain in additional capital and marketing, especially directly coupled with the covid 19 pandemic outbreak, then the problem is getting bigger. In the past, access to financial institutions was also tricky because many SMEs businesses did not meet the Bank's requirements, namely the absence of orderly financial statements</i> | the conclusion, if you want to find additional capital that does not require requirements and low need can come from grants, people's funds, or funds derived from corporate social responsibility of the Company |
| How to implement the program?           | <i>It's not easy; just stay initiative is in the regulator only. if you want to improve SMEs welfare and solve covid 19 impacts, that's just not the case.</i>  | This is finally back to the role of local leaders to initiate the program.<br>The government has the responsibility to solve these problems through several programs to help the SMEs                             |

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3 Based on (Sriyono et al., 2020) preliminary research, there are four financing models that SMEs can use  
4 for financing. However, of the four financing models that not all models can implement in covid 19  
5 pandemic conditions. Some models that exist in experts' opinions are a model that does not provide  
6 onerous requirements for SMEs; for example, there must be collateral and bankable. Both of these  
7 conditions researchers believe will be suited to be met by SMEs, so severe orientation needs to be done  
8 (Kattenbach & Fietze, 2018) to implement  
9

10 The expert's opinion concludes that the appropriate financing is financing derived from community  
11 social development fund, known as corporate social responsibility. Through the funding, it expected that  
12 SMEs could accelerate innovation (Kuratko et al., 2011). The combination of the capital increase can  
13 also be done through venture capital, up to which venture capital is more the maximum result of  
14 institutional venture capital or venture capital firm venture (Rossi et al., 2020). Therefore, the approach  
15 that must be taken is encouraged by knowledge (Scuotto et al., 2017). However, venture capital's role is  
16 very large in financing innovations that focus on new, small companies that innovate (Rossi & Martini,  
17 2019). SMEs innovation can do if the SMEsowner has a transformational leadership to directly transfer  
18 ideas to employees (Moriano et al., 2014). If the financing is a combination of government and private  
19 parties, if supported by two parties, the program's sustainability will improve maximum (Prelipcean &  
20 Boscoianu, 2014). Business owners are directly responsible for the choice of financial sources. Different  
21 business-level managers have limited influence on this decision-making process. Therefore the financial  
22 part has an essential effect in all decision-making scenarios.  
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## 27 5. Conclusion

28 Based on the results of in-depth interview and search Library, pandemic covid 19 has a big impact  
29 on SMEs namely the decrease in purchasing power, decreased revenue, and the decrease in  
30 competitiveness and SMEs do not have additional capital for can do activities again. Therefore, it is  
31 necessary to provide the appropriate financing to overcome this, namely cooperation with the Company  
32 to obtain funds derived from the fund of corporate social responsibility. Because these funds do not  
33 require complex requirements. Also, severe education and assistance is needed for SMEs to change the  
34 sales system using digital marketing.  
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## 38 6. Theoretical Implication

39 Based on the results of in-depth interviews and searches Library, there is an impact that pandemic  
40 Covid 19 has a significant effect on SMEs. The decrease in purchasing power decreased revenue, and  
41 the decline in competitiveness and SMEs do not have additional capital to do activities again. Therefore,  
42 it needs appropriate financing to overcome this, namely, cooperation with companies to obtain funds  
43 derived from corporate social responsibility funds. Because the funds do not require complex  
44 requirements. Also, severe education and mentoring are needed for SMEs to change the sales system  
45 using digital marketing.  
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**List of abbreviations**

- 1. SMEs = Small Medium Enterprise
- 2. CSR. = Corporate Social Responsibility

**Declaration of interests**

**Availability of data and material**

Data is available on author and stored as private property

**Competing Interest**

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

The authors declare the following financial interests/personal relationships which may be considered as potential competing interests

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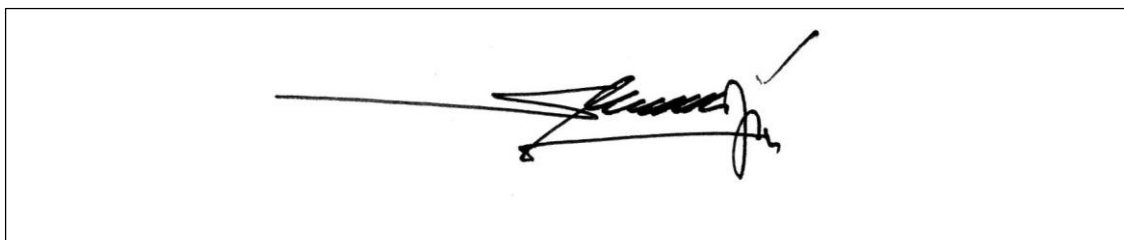
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- 2. Sarwenda Biduri, SE, Msi contributes to field surveys, informant searches and writing
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## Submission

# "Acceleration Of Performance Recovery And Competitiveness Through Non – Banking Financing In SMEs Based On Green Economy: Impact Of Covid-19 Pandemic"

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# Draft Artikel Publish

# Acceleration Of Performance Recovery And Competitiveness Through Non – Banking Financing In SMEs Based On Green Economy: Impact Of Covid-19 Pandemic

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## ABSTRACT

Many previous studies have examined the effects of covid-19 on Small Medium Enterprise but never discussed how to accelerate Small Medium Enterprise performance. This study aims to accelerate the recovery of Small Medium Enterprise performance affected covid-19. This research type is interpretive qualitative, data validity test using credibility and transferability test, Data analysis technique using research data reduction, presenting data, and drawing conclusions. The conclusions obtained in this study are financing coming from non-banks when the Covid-19 pandemic conditions are very beneficial for Small Medium Enterprise, and Small Medium Enterprise are still able to compete globally.

Keywords: acceleration recovery, performance, competitive running, and non-banking financing, and competitive excellence

## Introduction

The covid-19 pandemic and the government's policies have resulted in a decrease in SMEs performance. This event is a big problem for SMEs due to the drastic decline in performance, and SMEs can no longer compete at the international marketing level. This research is fundamental to do if it will not cause bankruptcy from SMEs and will cause a more significant effect on the unemployed.

It is necessary to determine traditional financing for small and medium-sized micro enterprises already widely available. They can no longer support SMEs because of their complicated requirements, including funding derived from the combined capital (Rossi, 2015). Another problem faced by entrepreneurs is the difficulty of marketing SMEs products in the era of Globalization not to afford to compete.

In the covid-19 pandemic event, SMEs are generally only able to provide less than one-third of the required working capital, as additional money is needed (Waniak-Michalak et al., 2018). To innovative efforts to overcome the Covid 19 pandemic, this requires mediation from other parties to be more successful. In addition to financing issues, SMEs in Indonesia also have the advantage of competing with Malaysia and Thailand. According to Global Competitiveness Index 2015–2016 rankings and 2014–2015 comparisons, Indonesia ranked 37th while Malaysia is ranked 18th and Thailand at number 32. (Schwab, 2015).

It recognized that SMEs have a significant role in job creation, driving the economy's wheels in the countryside, and providing a role in addressing unemployment and poverty. Nevertheless, a covid-19 pandemic caused SMEs activity to become hampered and no longer able to run. Preliminary research (Sriyono et al., 2020) mentions several financing models for SMEs affected by Covid 19. Still, some of these models have not been implemented in the field correctly, so it is necessary to take an approach and assistance to SMEs and entrepreneurs to be able to conduct mutually beneficial cooperation.

This research aims to accelerate improving SMEs performance and competitiveness through Non – Banking Financing so that SMEs can return to production. This research is very feasible to do. This research will find how to overcome SMEs problems about the lack of capital and difficulty in marketing experienced during the Covid-19 Pandemic. Also, this research will make a significant contribution for

SMEs to overcome the problems faced and for the government will process inputs that used to provide policies on financing.

## **2. Literature review**

### **2.1 SMEs base on Green Economy**

Despite its many advantages, SMEs also face problems. The issue differs in each Country, depending on how it affects performance (Noble, 2004). In advanced economies, small and medium-sized enterprises are more related to intellectual property protection, such as patents on export products. While in developing countries such as Indonesia, the problems faced in the development of , SMEs especially concerning aspects of business management capabilities and limited access to productive resources. (Abraham & Schmukler, 2017)

The increase in knowledge and expertise is necessary to improve business management's ability, especially in the era of Globalization needed to encourage the competitiveness of international market-oriented SMEs products (Wiklund & Shepherd, 2005). There are many types of training provided by the government so far. Still, this activity is more routine, with material too theoretical, and a relatively short time to touch SMEs actual needs. The relationship between the market and its current performance with satisfactory performance will have a competitive advantage (Pelham, 2000).

These technological constraints can be caused by many factors, including capital limitations, to buy new machines to improve. Besides that improve the Company's performance, including production processes, limited information about the development of new technologies or production tools (Murphy, 1996), and hr limitations in operating new information technology machines or devices, making it challenging to make innovations products and production processes. In an era of free trade and global competition, modern technology's use and mastery will become more important than natural resource factors to increase competitiveness and comparative advantage into a competitive advantage.

Also, SMEs whose activities based on the green economy have long-term advantages, as conveyed in the study (Sriyono, 2015). Still, after that, they will gain customers' trust because the products include a green economy.

### **2.2 Financing from Non-State Budget**

Other obstacles faced by SMEs are financial problems in the form of lack of capital and difficulty access (Angela, 2011) to obtain good capital in the form of credit (Arráiz et al., 2014) from financial institutions, especially banking (Beck et al., 2011). This problem is common in novice Small Medium Enterprise (SMEs) , who do not have a business license, located in inland areas, with inadequate infrastructure conditions, making it difficult for financial institutions to reach actors with existing communication and transportation means.

It also is acknowledged that the difficulty of obtaining financial assistance from banks is due to several challenging requirements to meet by SMEs and the absence of a strong legal or regulatory basis for a high-risk business. SMEs financial structure is straightforward and more comfortable to meet (Beck et al., 2013) to obtain loans with easy terms, but it becomes difficult due to complicated regulations.

Financing originating from Non-State Budget can be various sources, can come through partnering between entrepreneurs and governments, or through partnerships between companies and SMEs or from funds from Corporate Responsibility Social ( CSR)

### **2.3 Digital Marketing**

Competition pressures also arise due to the lack of accurate and up-to-date information about market opportunities in Bank Indonesia's Role Small Medium Enterprise (SMEs). Profile in supporting the performance of Micro, Small, and Medium Enterprises Development companies and abroad (Wiklund & Shepherd, 2005). Besides, in an era of openness and free trade, which many countries in the world

have agreed, such as agreements in the Asian Free Trade Agreement (AFTA), European Union (EU), and World Trade Organization (WTO), demand market openness in each Country. Meanwhile, the rapid development of regulations issued by developed countries, which can hinder the growth of Indonesian SMEs from penetrating global markets, including a ban on the use of child labour, the necessity to pay attention to environmental preservation and the protection of Human Rights.

### 3. Research Methodology

This research uses a qualitative approach (Creswell et al., 2007). Using interpretive methods (Lukka & Modell, 2010) this approach is very appropriate because this study interprets the results in-depth interview with key informants. This research also intended to get talks about something new little known and give the intricate details about the phenomenon of Covid 19 that is difficult to disclose by quantitative method (Strauss & Corbin, 2003).

The research focuses on understands and analyzes the informant's opinion on SMEs problems due to Covid 19. The key informants in this study are several Small Medium Enterprise (SMEs). The use of crucial informants intended to allow researchers to obtain complete and more holistic information and some five experts in financing as a snowball for supporting information (Marshall, 1996).

The data collection process is through an in-depth interview (Moleong, 1996), documentation, and observation. This research data's validity test is conducted with several stages: credibility and transferability (Senton, 2004). In-depth interviews are conducted with 25 SMEs owners established for five years with an interview time of 45-60 minutes on each informant. Besides, it also involved 5 SMEs financing experts who conducted a 60 minute and 75minute interview. Interviews are conducted via teleconferences to all SMEs and experts. The question asked to SMEs is about the impact of covid-19 on SMEs performance and the problems posed. Financial experts asked what model is suitable for SMEs during the covid-19 pandemic and how to overcome current marketing problems. Credibility is using the source triangulation and triangulation method (Hussein, 2009). Transferability is by making detailed, systematic, and trustworthy research reports.

Qualitative data analysis is a continuous, repetitive, and constant effort consisting of three flows of activities that occur together with (Muhson, 2006): Reduction of research data, data display, and concluding.

### 4. Result and Discussion

#### 4.1 The Impact of Covid 19 on SMEs

The emergence of the Covid-19 Pandemic in the world has a significant impact in Indonesia, especially on SMEs entrepreneurs, resulting from these events, causing a decrease in SMEs performance and competitiveness. Therefore, in this study, interviews were conducted to what extent the impact of covid 19 was. This research is a development from the initial research undertaken by (Sriyono et al., 2020). The first in depth interview, we do to SMEs around the Company.

| In dept interview & Discuss                                  | SMEs ) respond Small Medium Enterprise (SMEs)   | Triangulation Test  |
|--|---|---|
| how is the operation of SMEs during this Covid-19 pandemic?  | <i>the business we do that automatically stops because no one buys, so we have no income. Finally, we are also unable to sell</i> | Then triangulation is done on SMEs located. Differently, the answer we get is the same, that during pandemics, the SMEs cannot run their business |
| whether you cannot try other companies that can be bought by | <i>We have an idea, but it can't be executed because we don't have</i>  | We're always thinking about wanting another business, we have   |

|   |   |  |
|---|---|--|
| the surrounding community, e.g., drinks or fried foods, | <i>any more capital. The savings we have to survive to meet the blindness of family life.</i> | a desire to sell simple food and drinks that are easy to sell, but we have no capital; our capital is up for daily life. |
|---|---|--|

SMEs based on the green economy have a good performance and are SMEs responsible for environmental hygiene. Also, they have a significant role in reducing roasting and poverty and significantly contribute to national development. Nevertheless, the emergence of Covid 19 pandemic toughness owned by Small Medium Enterprise (SMEs) cannot withstand the decline in people's purchasing power.

Unlike other large companies, unique SMEs characteristics require a particular model form that accommodates their uniqueness. Most SMEs are feasible but not bankable. Possible here, SMEs in business meet all the requirements to get additional capital from banking because SMEs can profit regularly from the business activities. But bankable, SMEs become not Bankable because most SMEs not meet the banking authorities' administrative requirements, especially regarding the financial bookkeeping system. So, it needs a unique financing model that can accommodate the interests of SMEs). For banks, the desire of SMEs to obtain financing becomes challenging to agree. This is because the banks are unable to monitor and focus on marketing, production, and managerial assistance. The policy and operational standards of procedures owned by banks do not allow to adopt all the wishes of SMEs, let alone coupled with the human power owned by banks is very minimal when compared to SMEs that need to served

#### 4.2 Decreased performance and competitiveness of SMEs

| In-depth interview & Discuss                     | Respond Small Medium (SMEs)   | Triangulation Test  |
|--|---|---|
| how do SMEs perform during the covid-19 pandemic | <i>This Covid-19 is very troublesome for us because the food we do both in the store and in the market no one buys because they should not leave the house.</i> | Then triangulation is done on SMEs located. Differently, the answer we get is the same. |

We also ask about the decrease in the competitiveness of SMEs due to the covid-19 pandemic conditions. In the era of industry 4.0, all entrepreneurs required to digitalization to compete, marketing or their part that has the role of selling all products owned, but as it is known that the resources owned by SMEs are less maximal so that they are not able to compete (Chadwick & Dabu, 2009). Therefore, breakthroughs needed in digital marketing, Nowadays the development of the science of marketing has entered the digital world so that digital marketing appears, digital marketing continues to develop through social media such as Instagram, Facebook, WhatsApp, Twitter, and many more

To avoid a decrease in SMEs performance and competitiveness, it is now necessary to think that business innovation can be done through digital marketing (Coluccia et al., 2020)

#### 4.3 Competitiveness and digital marketing

| In-dept interview & Discuss                             | Respond Small Medium (SMEs)   | Solution that problem  |
|---|---|--|
| How the marketing system has been done so far           | During this time we sell our goods through the shop at home and directly to the traditional market. We're still not able to do marketing online | The government should socialize with all SMEs to start learning to do digital marketing. |
| Is there a rescue program for SMEs by providing capital | <i>? The Central Government policy is the first step in transferring the funds for Covid 19 but allocated</i>                                   | Government policy must do to businesses because so far the                               |



|  |   |                                      |
|--|---|--------------------------------------|
| derived from the particular budget for digital marketing | <i>first for health care. While the allocation assistance for additional capital has no specific policy, the government has not provided financing assistance directly because SMEs are challenging to apply for loans. After all, the Company is not bankable.</i> | procedure is only on macroeconomics. |
|  |   |                                      |

Since the emergence of covid 19 pandemics, for businesses or SMEs whose sales system conventional models will experience a decrease in purchasing power, shoppers can not visit or go to shops, markets, and malls to buy goods because of lockdown policy. Therefore, innovation is needed so that SMEs can develop (Licuanan et al., 2015). This policy impacts marketing that still uses conventional models will be difficult to market.

Therefore, it is necessary to find a breakthrough new model that is a digital marketing model; through this model, all products is offered through the internet or social media. The problem is that many SMEs do not understand and understand how to sell online, so education and mentoring are needed to make sales online.

#### 4.4 The Government's Role on SMEs.

The government as a regulator has an important role and obligation to help the problems caused to the impact of covid-19 experienced by SMEs, because of whether the local government has ever gathered SMEs to provide loan information.

| In-depth interview & Discuss   | Respond SMEs   | Solutions that problem  |
|--|--|---|
| how the role of local governments in dealing with the impact of Covid-19 | <i>The provincial government once provided information that it would be training assistance and self-help, but the implementation was not gradual, so we waited for the condition. We need more capital to create or open a new business that is currently trending, but we have not yet gained a way out.</i> | The government should provide socialization to SMEs to start educating business settlements due to covid 19 continuously. |

However, the government's assistance pattern is directly in the field without continuous education and assistance. It can understand because the government has enough resources to do so. Finally, this burden is all returned to SMEs and the community to assist in addressing the problem. Some educational institutions have also done assistance through entire lecture programs and direct community service to SMEs. Still, this result is not maximal because of such activities integration between the trustees, educational institutions, and non-banking financial institutions.

#### 4.4 Financing for SMEs from companies through corporate social responsibility

In addition to the government, we also give to companies located around the location of Small Medium Enterprise (SMEs). As it is known that every Company has a corporate social responsibility program.

| In-depth interview & Discuss | Respond Small Medium Enterprise (SMEs) | Solution that Problem |
|------------------------------|--|-----------------------|
|                              |  |                       |

|  |   |  |
|--|---|--|
| are the companies around here not assisting  | The Company has assisted SMEs around the Company but has not been effective   | The Company should coordinate with the government and SMEs to make intensive cooperation   |
| What cooperation do you do with the Company  | <i>we are involved in existing work; for example, we are given a project to choose suitable raw materials for the production process. We are given wages, those wages we use as additional capital, the additional capital we receive until now</i> | Companies can offer several types of cooperation with SMEs that are suitable and can be done by SMEs   |
| Does this mean that you are receiving the current financing assistance in that way | <i>Yes, sir, at the end of the day, we get additional capital through that way. although the amount is not large, but we can get it regularly even if the funds are not large</i>   | <i>The funds we get are uncertain depending on the type of work we can do, but the average is between IDR 150,000 – IDR 200,000 per week. So the total fund is around Rp 1,000,000</i> |

Many alternatives can do to solve it (Cusmano & Thompson, 2018) the SMEs problems. However, financing is a credit with a guarantee (Biernat-Jarka & Planutis, 2013) when granted on favourable terms. Based on the question, it can interpret that SMEs financing can be obtained from the fund even if the amount is not large; at least SMEs can do the activity again to do business, all of it depends on the Company's size. If the policy facilitates SMEs contact with the banks, then the financing problem will be more comfortable (Berger & Schaeck, 2011). Either through credit (Fatoki, 2014) for SMEs engaged in food stalls or small business drinks than with the fund can innovate other businesses that can be useful in covid 19 pandemics, for example doing buy and sell masks, what makes drinks from spices that can add immune power to the body or household cuisine with system online and this will improve performance (Eniola & Ektebang, 2014)

#### 4.5 Expert Opinion

| Discuss with Financial Expert           | Financial Expert Opinion  | Solution that problem   |
|---|---|---|
| What there opinions about their problem | <i>The problem facing SMEs from the past until now is to remain in additional capital and marketing, especially directly coupled with the covid 19 pandemic outbreak, then the problem is getting bigger. In the past, access to financial institutions was also tricky because many SMEs businesses did not meet the Bank's requirements, namely the absence of orderly financial statements</i> | the conclusion, if you want to find additional capital that does not require requirements and low need can come from grants, people's funds, or funds derived from corporate social responsibility of the Company |
| How to implement the program?           | <i>It's not easy; just stay initiative is in the regulator only. if you want to improve SMEs welfare and solve covid 19 impacts, that's just not the case.</i>  | This is finally back to the role of local leaders to initiate the program.<br>The government has the responsibility to solve these problems through several programs to help the SMEs                             |

Based on (Sriyono et al., 2020) preliminary research, there are four financing models that SMEs can use for financing. However, of the four financing models that not all models can implement in covid 19 pandemic conditions. Some models that exist in experts' opinions are a model that does not provide onerous requirements for SMEs; for example, there must be collateral and bankable. Both of these conditions researchers believe will be suited to be met by SMEs, so severe orientation needs to be done (Kattenbach & Fietze, 2018) to implement

The expert's opinion concludes that the appropriate financing is financing derived from community social development fund, known as corporate social responsibility. Through the funding, it expected that SMEs could accelerate innovation (Kuratko et al., 2011). The combination of the capital increase can also be done through venture capital, up to which venture capital is more the maximum result of institutional venture capital or venture capital firm venture (Rossi et al., 2020). Therefore, the approach that must be taken is encouraged by knowledge (Scuotto et al., 2017). However, venture capital's role is very large in financing innovations that focus on new, small companies that innovate (Rossi & Martini, 2019). SMEs innovation can do if the SMEsowner has a transformational leadership to directly transfer ideas to employees (Moriano et al., 2014). If the financing is a combination of government and private parties, if supported by two parties, the program's sustainability will improve maximum (Prelipcean & Boscoianu, 2014). Business owners are directly responsible for the choice of financial sources. Different business-level managers have limited influence on this decision-making process. Therefore the financial part has an essential effect in all decision-making scenarios.

## 5. Conclusion

Based on the results of in-depth interview and search Library, pandemic covid 19 has a big impact on SMEs namely the decrease in purchasing power, decreased revenue, and the decrease in competitiveness and SMEs do not have additional capital for can do activities again. Therefore, it is necessary to provide the appropriate financing to overcome this, namely cooperation with the Company to obtain funds derived from the fund of corporate social responsibility. Because these funds do not require complex requirements. Also, severe education and assistance is needed for SMEs to change the sales system using digital marketing.

## 6. Theoretical Implication

Based on the results of in-depth interviews and searches Library, there is an impact that pandemic Covid 19 has a significant effect on SMEs. The decrease in purchasing power decreased revenue, and the decline in competitiveness and SMEs do not have additional capital to do activities again. Therefore, it needs appropriate financing to overcome this, namely, cooperation with companies to obtain funds derived from corporate social responsibility funds. Because the funds do not require complex requirements. Also, severe education and mentoring are needed for SMEs to change the sales system using digital marketing.

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## List of abbreviations

1. SMEs = Small Medium Enterprise
2. CSR. = Corporate Social Responsibility

## Declaration of interests

### Availability of data and material

Data is available on author and stored as private property

### Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

The authors declare the following financial interests/personal relationships which may be considered as potential competing interests

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### Authors' contributions

1. Dr. Drs. Sriyono, MM contributes to the concept and methodology of articles and discussions on problems and solutions to problems also final manuscript
2. Sarwenda Biduri, SE, Msi contributes to field surveys, informant searches and writing
3. Bayu Proyogi, Si. Msi contributes to the collection of data from informants as well as conducting data reduction data


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A handwritten signature in black ink, enclosed within a rectangular box. The signature is stylized and appears to read 'Sriyono'.