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## Strategy In Strengthening Capital Towards MSME Market To Maintain Community Economic Stability During The Covid-19 Pandemic Time

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KAHARUDDIN<sup>1</sup>, Rosmita AMBARITA<sup>2</sup>  
, MUKIDI<sup>3</sup>, Rudy PRAMONO<sup>4\*</sup>, Juliana JULIANA<sup>5</sup>, Nelvitia PURBA<sup>6</sup>

<sup>1,2</sup>Sekolah Tinggi Ekonomi Al Washliyah Sibolga, email : Simamorakaharuddin63@gmail.com

<sup>3</sup>Universitas Islam Sumatera Utara, email : mukidi@fh.uisu.ac.id

<sup>5</sup>School of Hospitality & Tourism, Pelita Harapan University, Indonesia, email :  
Juliana.stpph@uph.edu

<sup>6</sup>Universitas Muslim Nusantara Al Washliyah; email : nelvitiapurbaumn@gmail.com

<sup>4</sup>Corresponding Author. Senior Lecturer, School of Hospitality & Tourism,  
Universitas Pelita Harapan, Indonesia [Postal Address: M.H. Thamrin Boulevard 1100,  
Tangerang, Banten 15811, Indonesia] Tel: +6221 5460901, Email: rudy.pramono@uph.edu

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### Abstract

The objective of implementing a model strengthening strategy is to collaborate with the government and the private sector to work hand in hand in strengthening capital and increasing the MSME production market to maintain economic stability. Researchers' research method, in this case, is a combination of qualitative and quantitative approaches and methods. In general, qualitative research is carried out by interview and observation methods. Through this method, researchers will analyze the data obtained from the field in detail. Quantitative methods with graphs can be seen that there has been a decline in several aspects, even some of the businesses are threatened with bankruptcy. This condition shows that the data has decreased drastically, decreased turnover and credit financing, and difficulty obtaining raw materials. When viewed from the data from the Ministry of Cooperatives in 2020. From the study results, it can be argued that: Since the outbreak of the Covid-19 pandemic, market uncertainty has made the demand for goods sold by MSME players decreasing so that consumers' needs change. Even though it is full of challenges, the MSME sector still has hopes and opportunities to increase its business scale. To survive amid the outbreak of the Covid-19 pandemic, MSMEs use a strategic trading system to strengthen their capital.

**Keywords:** Strengthening Capital, SMEs, the Covid-19 pandemic

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## 1. Introduction

Many small and micro enterprises (SMEs) have had to temporarily halt production as a result of the Covid-19 pandemic; however, as many as 26.7 percent of MSMEs have survived despite having to temporarily halt production. Model Strengthening Techniques As a result of recent changes in the situation, there have been economic difficulties at all levels of the economy as a result of the Corona-19 pandemic at the micro, small, and even medium level. The covid-19 pandemic had an effect on micro, small, and medium businesses (MSMEs). At least 185,184 MSMEs have closed down, according to data from the Ministry of Cooperatives and Small and Medium Enterprises. MSME actors play a critical role in the national economy's support. Small and Medium Enterprises (SME) is a term used to describe businesses that operate on a smaller scale than larger businesses in the same industry. Small and medium-sized companies (SMEs) have a simple internal organizational structure, independent development and activity, a non-monopolistic market for relevant goods, sufficient social responsibility, and a range of ownership and organizational trends. SMEs are an important part of a country's economic growth because they are smaller, more versatile, and better able to adapt to market changes. They would support increased specialization-based organization of large-scale social development in order to meet the growing and diverse demands of social consumption. SMEs also have the potential to drive the city's strong economic growth and play a unique role in job development, industry revitalization, improving people's lives, and maintaining social stability. Large-scale enterprises need the services of SMEs to achieve rapid development, and their supplementation and coordination will accelerate the growth of modern economies. (Bo & Qiuyan,2012). Small and medium-sized enterprises play an important role in the economic development of a country, which contains little empirical evidence about the process of innovation services, regardless of their contribution to a wide variety of jobs and, to an increase in gross domestic product, especially countries characterized as developing (Halme et al., 2016). Data from the Central Statistics Agency (BPS) in 2018, the MSME sector has absorbed 97% of Indonesia's total workforce. In terms of contribution to gross domestic product (GDP), MSMEs' role is quite significant, reaching 61.07% of the actual national GDP. However, out of 60 million, the number of MSMEs. During the Covid-19 pandemic, the number of micros, small and medium enterprises (MSMEs) was almost on average in trouble because of the increasing impact of the corona pandemic and had to behave in physical and social distancing. The slow absorption of incentives also makes the MSME pulse weaker and can go into bankruptcy. Capital strengthening and marketing strategies for MSMEs are somewhat tricky in the current pandemic conditions. Because amid the Covid-19 pandemic, MSMEs are required to change their marketing strategy from offline to online to maintain economic stability populist. Maintaining SMEs' existence during this pandemic requires sufficient capital because fluctuations in various situations are sometimes complicated to predict. Just a few studies have concentrated on micro, small, and medium enterprises (MMSME) over the past few decades, despite the fact that this business sector makes significant contributions to the economy. Small and medium enterprises, including small and micro-businesses, account for 90.0–99.0 percent of all businesses worldwide. MSMEs are benefiting from current business developments such as flexible manufacturing, downsizing, outsourcing, and franchising. As a result, MMSME plays a larger role in a country's security, jobs, and economic growth (Gutierrez et al.,

2015). Small business is terminology in Indonesian Economic Development which is very important for the sustainability of national economic growth after the financial crisis. As an additional contribution to the economy, MSMEs also provide benefits for domestic workers in Indonesia creates jobs, which reduces unemployment (Sinaga et al, 2021). Has resulted in a sharp economic crisis. They are assessing the monetary and financial sectors' declines, especially those related to external and internal pressures, such as the fundamental economic structure. The upstream industry was emphasized in government archives prior to the crisis. According to one argument, the downstream sector can only follow the upstream sector's growth. The production of large industries is still a problem for which no one has the authority to provide feedback. Before launching MSMEs as a downstream business growth program and large-scale enterprise, the government had lost too much time. As a result, the recession struck downstream industries the hardest. If the government uses MSMEs to solve industry problems, the downstream sector does not want to be placed in a disadvantageous position. Since they rely on their competitive advantage to survive, MSMEs are a solution to the crisis (Bauchet & Morduch, 2013). Various metrics, such as national income level, per capita income, and employment prospects, can be used to determine a country's economic performance (Zamfir, Mocanu and Grigorescu, 2017). The business sector is the most important step in improving this measure. SMEs, according to Ribeiro-Soriano (2017), can transform and grow societies in developing countries.

Even MSMEs will limit their production to a smaller amount than before the Covid-19 pandemic. Moreover, the existence of large-scale social restrictions (PSBB) in the past hampered the delivery process. With the declining condition of MSME business actors, it is essential to deal with the right strategy so that UMKM business actors continue to survive and not have a worse impact on the community's economy. The latest data shows as many as 98 percent of businesses at the micro-level or around 63 million have been affected by the COVID-19 pandemic due to the economic slowdown and decreased public demand due to social restrictions. This is different from our findings in the 1998 and 2008 crises, which showed that MSMEs could survive (Widyaningrum, 2020).

The objective of implementing a model strengthening strategy is to collaborate with the government and private parties to work hand in hand in strengthening capital and increasing the MSME production market to maintain economic stability during the Covid-19 pandemic.

The problem of capital in a company is a problem that will never end, considering that the issue of money contains so many aspects. According to (SUMIATI, 2020) Small and Medium Enterprises are currently receiving increasing attention from the Indonesian government as a contribution from this sector so that regional and national revenues increase. Even though the government pays a lot of attention and facilities to the small business people in the manufacturing industry, they face fierce competition. Thus, small businesses need to ensure that small and medium enterprises achieve good business performance

MSME Development Strategy in the Middle of the Covid-19 Pandemic MSMEs are the spearhead of the national economy and play a significant role in national economic growth. In 2019, MSMEs contributed to gross domestic product (GDP). MSMEs contribute 60 percent of GDP and 14 percent of total national exports. However, this year, MSMEs have become one of the sectors hit hard by the Covid-19 pandemic. Even though MSMEs' absorption of labor is very high, which has grown to

reach 96.99% - 97.22% with the number of MSME players coming 62 million or around 98 percent of national business actors. In fact, since the beginning of the pandemic, the government has placed MSMEs as priority beneficiaries in federal economic recovery. The negative impact due to the Covid-19 outbreak has hampered the growth of the MSME business, where MSME business movements that require showrooms or promotions are hindered by the existence of physical distancing and the large-scale social restrictions (PSBB) movement which is considered to be able to accelerate the prevention and prevention of the spread of Covid-19 increasingly widespread in Indonesia.

The current number of MSMEs, which has reached more than 56 million, indeed has many problems. Still, the issues that MSME players often reveal are limited business capital or difficulty in obtaining business capital either from the bank or financial support from the government, then the difficulty of creating a brand or brands of products or services produced, lack of creative ideas in making new works or innovations in various product and packaging designs, then the difficulty of creating a brand image that can attract attention and get new markets or customers, all of which are problems currently faced by MSME actors and need solutions to solve these problems. The challenge for MSMEs in 2020 is not only due to the Covid-19 outbreak, but the challenge for MSMEs amid a massive digital economy that is increasing rapidly demanding MSMEs to be literate in information technology because MSMEs who use internet services or have websites are still not many and familiar so that MSME products or services that are marketed are sometimes unable to reach markets outside the region and remote areas, and cannot compete with other large businesses that already have a market place and are easy to get customers because they are known through unlimited internet services and can go- International.

## **2. Literature Review**

### **2.1 Small Medium Enterprises Performance**

To continue to create competitive advantage concerning competing firms, small and medium enterprises must promote an adequate business strategy that must take into account the modifications taking place in the business environment and the stages of organizational development. Designing and implementing business strategies in small and medium enterprises is very important from both a theoretical and methodological point of view and a practical and applicable point of view (Ionescu, 2010). Resource-Advantage Theory (Hughes & Morgan, 2007) suggested that the business organizations' comparative advantage is an essential resource in creating a competitive advantage. The competitive advantage is helpful for an organization to increase its business performance. Based on this Theory, every business must have a distinct resource that cannot be copied easily by other organizations to remain ahead in the competition. SMEs usually operate on a low budget with limited resources (Lisanti & Luhukay, 2014) and requires support mechanisms to improve current processes and lead innovation. Study Nguyen & Luu (2020) shows that managerial application efforts aim to increase the perception of small and medium enterprise adoption factors in industry 4.0. The personal relevance of technology that will contribute to booming implementation success is defined as the effective use of industry 4.0.

Study Pramono et al.(2021)the analysis shows that SME business progress has a relationship and dependence on capital and education sources, achievement needs, and locus of control.Performance is a significant issue that has long attracted economists' and researchers' attention, especially with large companies. In the last 25 years, more and more attentionhas been devoted to studying small-to-medium enterprises, seen as a business entitywith specific and unique economic characteristics, not just as a "big small business". Toof these companies, the value creation process is often difficult to separate and define. Especially for service companies, competitive advantage is often achieved through intangible assets whose contribution is immeasurable and sometimes evenbelittled by the manager himself. In this context, a worrying problemPerformance measurement activities are strengthened due to a lackof human and financial resources, lack of unique competencies, short-term kinshipmanagement, andcontext-dependency results from suffering firmsinstability of their environment. The underlying pattern of operational risk changesand their revenue growth profile characterize their business to balance the analysis more complex.(Panno, 2019).

## **2.2 Innovation and Strategy to Maintain Community Economic Stability**

Owners of small and medium businesses (SMEs) play a critical role in developing countries' long-term growth (Wang, 2016). The owners of most SMEs are in charge of and oversee the day-to-day operations. Several business decisions made by SME owners may have an impact on the company's ability to develop or fail (Efferin& Hartono, 2015). SME owners face many obstacles in their search for profit and long-term viability. Incorporated into the business structure, procedures, goods and services, and marketing, innovation is a critical component of competitiveness (Gunday et al., 2011). However, policy remains the most important factor in achieving competitiveness (Porter, 2001). As a result, the process cannot be removed from the equation of efficiency and productivity. The SME complexity innovation theory explores four-dimensional complex related innovation factors, namely human factors, capital, actions, and growth, with the goal of assisting SMEs in making inroads and outperforming their competitors. This Theory focuses on the firm's overall innovation and deep operating system, rather than sales innovation, price competition, and other simple market competition factors; this Theory considers the entire subject of innovation, object of innovation, a type of innovation, and innovation carrier, as well as company improvement innovation level and achieve innovation goals based on mulitple factors. As a result, the SME Complexity Theory illustrates the multifaceted existence of the innovation factor (Bo &Qiuyan, 2012). The human element serves as the inherent innovation subject of companies operating innovative resources, implementing creative behaviors, and building innovation platforms, and human factor innovation has an intrinsic driving function; the resource factor serves as the foundation factor for the innova Behavioral factors are innovation behavior initiated by the innovation subject, focusing on profitable object resources, targeting breakthroughs and winning in competition, and its innovation helps carry out the function of objective realization; the development factor serves as an innovation platform for integrating various innovations supporting innovation resources and subjects to carry out innovation behavior, and development factors offer support and assurance for overall achievement and the company's innovation is sustainable, and its innovation has integrated enhancement function. As a result, the essence of disruptive interrelation features is reflected

in the SME complexity innovation theory. The dominant and competitive positions of SMEs in the industry can be distinguished. The dominant and competitive business, differentiated technological selection approach, which is beneficial for the rational analysis of firms' strengths, market position, and competitive field, to ensure the company has a foundation and succeeds in strategic decisions (Bo & Qiuyan, 2012). Study Majukwa et al, (2020) four main points were obtained from the data analysis: passion and dedication, product quality and service, customer satisfaction, and hiring staff with the right skills as a strategy to strengthen capital in micro, small and medium enterprises in maintaining economic stability.

### **3. Research Methods and Materials**

This research was conducted through a qualitative descriptive analysis approach. According to Creswell (2014), the qualitative descriptive analysis method analyzes, describes, and summarizes various conditions, situations from multiple data collected in interviews or observations regarding the problems under study that occur in the field. This research method is carried out using quantitative research. In general, qualitative research is carried out by interview and observation methods. Through this method, researchers will analyze the data obtained from the field in detail. But in the regulations that occurred during the Covid-19 pandemic. MSME Business Actors have seen a decline in several aspects. Even some of the businesses are threatened with bankruptcy. This condition shows that the qualitative data has decreased drastically, decreased turnover and credit financing, and difficulty obtaining raw materials. When viewed from the Ministry of Cooperatives' data in 2020, this research uses a combination of qualitative and quantitative approaches and methods.

## **4. Results and Discussion**

### **4.1. MSME Market Strategy In The Pandemic Time Covid-19**

With the outbreak of the Covid-19 pandemic, the Indonesian economy is experiencing shocks, one of which is the community's economy. To overcome this, the government has issued various policies to prevent the corona virus, making it difficult for people to carry out economic activities. The pandemic has had a significant impact on the micro, small and medium enterprises (MSMEs) sector. Based on research conducted in April 2020 by the Ministry of Cooperatives and Small and Medium Enterprises, the Covid-19 pandemic resulted in a decrease in 56% of MSMEs in sales turnover, 22% experienced difficulties in obtaining financing or credit, 15% experienced problems in the distribution of goods, and 4% the rest had trouble getting raw materials. MSME actors must face three main challenges. First, in terms of supply. After implementing Large-Scale Social Restrictions (PSSB) in almost all regions, many MSME sectors experienced difficulties in obtaining raw materials. The existence of the PSBB policy also disrupted logistics distribution. The second challenge is the problem regarding cash flow. Since the PSBB and social distancing implementation, many MSME actors have decreased their income due to the low number of customers buying their products. Besides, the production costs are a bit expensive, and MSME players also have difficulty getting capital loans. The third challenge during a pandemic is that the number of requests has drastically decreased. This is due to market uncertainty which causes the demand for goods sold by MSME players to decline. Because since the outbreak of

the Covid-19 pandemic, the needs of consumers have changed. Even though it is full of challenges, the MSME sector still has hopes and opportunities to increase its business scale. To survive amid the outbreak of the Covid-19 pandemic, Micro, Small, and Medium Enterprises (MSMEs) must take advantage of opportunities and strategies, namely by using electronic trading systems or e-commerce in marketing their products. From the following table, the criteria for wealth and income in the law. MSME and Large Business Criteria Based on Assets and Turnover

Table 1 Business Scale criteria

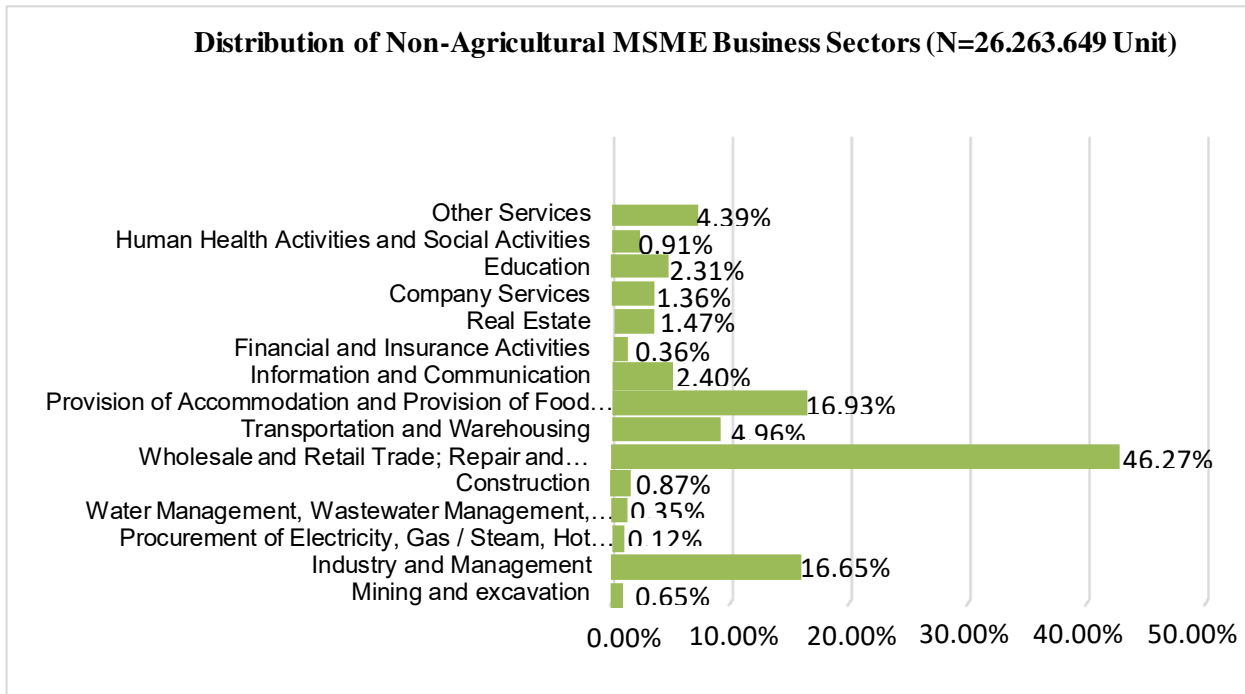
Size of Business	Criteria	
	Asset (does not include land and buildings where the business is carried out)	Omzet (in one years)
Micro business	50 million maximum	300 million maximum
Small Business	>50 million-500 million	> 300 milliton- 2.5 billion
Middle Business	>500 million- 10 billion	>2.5 billion – 50 billion
Big Business	>10 billion	>50 billion

Source: Law No.20 / 2008 on Micro, Small and Medium Enterprises

Our business can be categorized as a Micro Business if it has assets of a maximum of IDR 50 million and a maximum turnover of IDR 300 million per year or around IDR 1,000,000 per day (assuming active operation for 300 days / year); while the upper limit of turnover for Small Business is around IDR 8.3 million per day; and the upper limit of turnover of Medium Enterprises is around Rp. 167 million per day. We can now determine whether the business we run is a micro, small, or medium scale business by referring to the MSME criteria above.

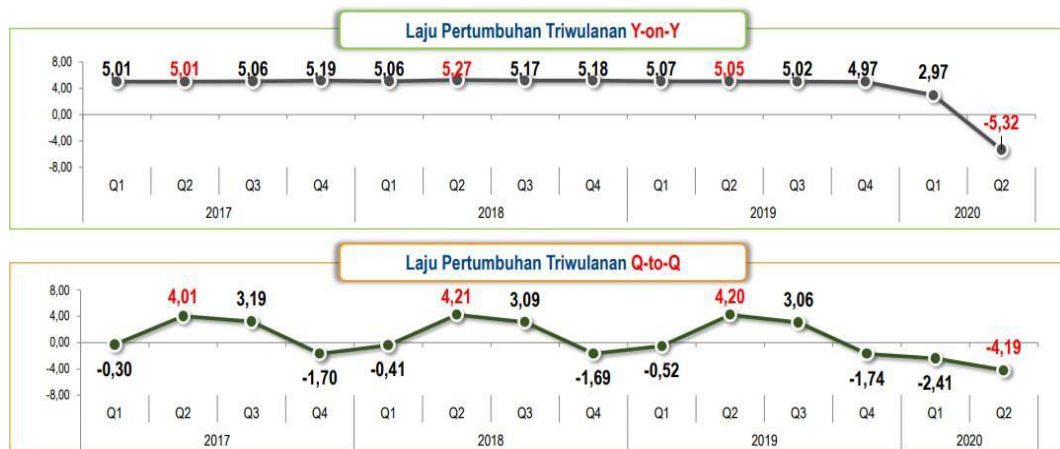
#### **4.2. Strengthening MSME Capital And Markets To Maintain Community Economic Stability During The Pandemic Covid-19.**

Their vast number and the significant role they play in providing jobs for the little people who are generally not highly educated make MSMEs' overall role, especially Micro Enterprises for the economy, essential. You can imagine how chaotic Indonesia would be if tens of millions of micro-entrepreneurs suddenly stopped working and employed themselves and demanded that big businesses or the government give them jobs.



**Figure 1.**MSME Distribution Sectors.

Resources: Indonesia Economy Census 2016, <http://se2016.bps.go.id>



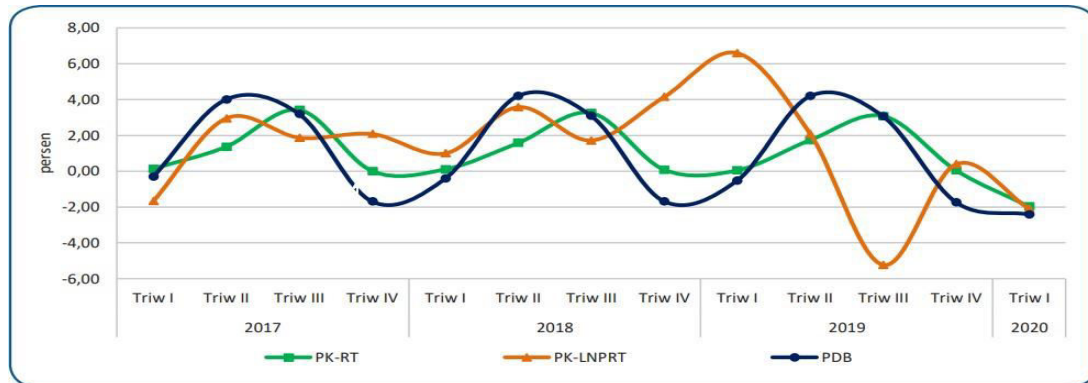
**Figure 1.** Indonesia's Economic Growth Rate in 2017-2020.

Source: Coordinating Minister for the Economy of the Republic of Indonesia, at the Virtual Seminar, August 11, 2020.

GDP Economic Growth by Expenditure in Q2 2020 against Q1 2020 (% QoQ)

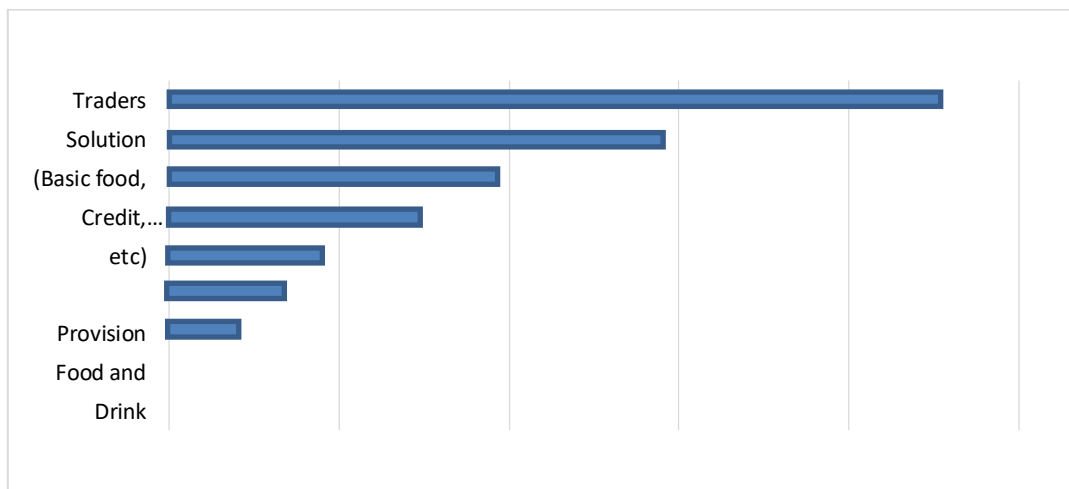


The Central Statistics Agency (BPS) reported that the Indonesian economy in the second quarter of 2020 against the first quarter of 2020 (q-to-q) contracted to reach 4.19 percent. The negative economic growth that occurred in almost all GDP expenditure components was the cause of the economic contraction, except for PK-P, which grew by 22.32 percent. This has happened since the entry of the Covid-19 pandemic to Indonesia in March 2020, which will impact GDP contraction in the second quarter.



**Figure 2.** Indonesia's Economic Growth 2017-2020 (q-on-q)

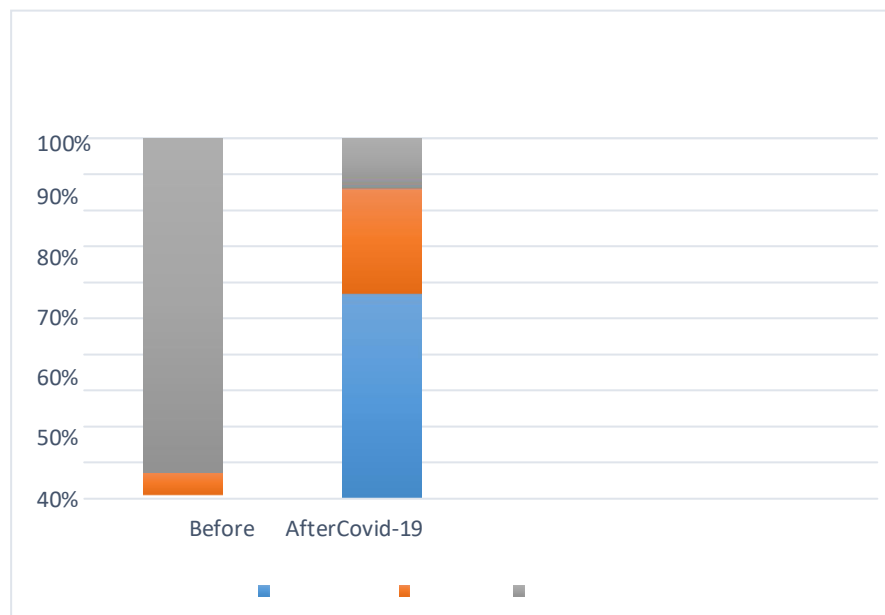
Source: The official website of the Central Bureau of Statistics (BPS). On Virtual Seminar, August 11 2020



**Figure 3.** Types of Business Products.

Source: Katadata Insight Center at Virtual Seminar, August 11 2020.

The type of business product that is the most dominant and places the first and most positions occupied by MSME actors is retail trading, such as selling groceries, pulses, clothing, etc.) with a percentage of 35.9 percent. The second place that occupies the type of business that is most attractive to MSME actors is to provide food and drinks with a rate of 20.9 percent. The third place is service products at 16.5 percent. The fourth place is food production by 16.0 percent. The fifth place is the processing industry with 4.9 percent. The sixth place is handicraft products or works of art at 3.9 percent. And the seventh sequence is agricultural, plantation and livestock production with a percentage of 1.9 percent.



**Figure 4.** Comparison of Business Conditions before the pandemic and when it was affected by the pandemic.

Source: Katadata Insight Center (KIC) at the National Seminar, August 11 2020.

Micro, Small, and Medium Enterprises (MSMEs) aim to develop and develop businesses in the context of building a national economy based on just economic democracy. This implies that MSMEs are a means of the national struggle to grow and develop the national economy by involving as many economic actors as possible based on their potential based on justice for all stakeholders referred to in this law, namely the Minister of Cooperatives and Small and Medium Enterprises.

1. According to the findings of the study, 15 factors impede the growth of MSMEs, according to the 2012 NUS survey. Indonesia was described as having barriers in all of the elements surveyed as being barriers to business. Other ASEAN countries, on the other hand, face 13 roadblocks and Vietnam 12, respectively. Myanmar, Singapore, and Malaysia had the lowest scores, each facing four challenges.

2. In the MEA arena, Indonesia still has the potential to grow its economy. It has the following advantages:
3. A population of 237 million people, or 40% of Southeast Asia's total population, is a large number for the growth of a potential market; Indonesia's middle class is increasing, from 37.7% in 2003 to 56.6 percent in 2010, or 134 million people (World Bank); Indonesia has the largest GDP in ASEAN and the 16th largest globally (the only ASEAN member that is a member of the G20).
4. Indonesia is an attractive investment destination for ASEAN members; ASEAN investment in Indonesia is 43 percent, nearly three times that in other ASEAN countries (15 percent); Indonesia has the potential to become an exporting country. Currently, only 18-19% of Indonesia's exports go to ASEAN countries, with the remaining 80-82 percent going to other ASEAN countries.
5. Indonesia's prosperous era now accounts for 38 percent of the ASEAN population, thanks to a demographic boost.

Aside from the aforementioned advantages, Indonesia ranks first among ASEAN countries in terms of producing wealthy people. According to Forbes magazine (2014), Indonesia has created 19 billionaires or conglomerates, making it the most influential in ASEAN. Singapore, on the other hand, has just 16 conglomerates and is ASEAN's second-largest source of billionaires.

Forbes compiles information on personal assets such as stock ownership in private and public corporations, real estate, cruise ship ownership, artwork, and currency. Furthermore, the projected debt is included in the famous billionaire's overall income. According to Credit Suisse's Global Wealth Report 2015, Indonesia's billionaires will number 151,000 by 2020, up from 98,000 in 2015. This means there's a lot of room for middle-class development. And it has become a popular aspiration to be the engine of national economic growth. For a long time, the countries that were members of ASEAN agreed on the importance of compiling a policy index in the development of MSMEs in each country to track success in terms of MSME development through the ASEAN Policy Index for Small Medium Entrepreneurs, which was designed from the beginning as a form of economic cooperation. The effect of implementing the ASEAN Policy Index for the Growth of Small and Medium Enterprises (SME's). It is followed by the equating of each ASEAN member country's Key Performance Indicator (KPI) for developing MSMEs.

The OECD (Organization for Economic Cooperation and Development), which created the MSME policy index, is likely to be referenced in the pattern. The OECD has managed to handle business participation in each of its member countries and has an index to track every government decision in each member country called the OECD Policy Index.

The empowerment of Micro, Small and Medium Enterprises is coordinated and regulated nationally and regionally, according to Article 38 paragraph (2), which includes the preparation and integration of policies and programs, implementation, monitoring, evaluation, and general control of MSME empowerment, including the implementation of business partnership as well as funding for small businesses .

## 5. Conclusions

Turnover and type of business experienced changes when the Indonesian economic sector was affected by the Covid-19 pandemic. This is due to market uncertainty which causes the demand for goods sold by MSME players to decline. Because since the outbreak of the Covid-19 pandemic, the needs of consumers have changed. Even though it is full of challenges, the MSME sector still has hopes and opportunities to increase its business scale. To survive amid the outbreak of the Covid-19 pandemic, Micro, Small, and Medium Enterprises (MSMEs) must take advantage of opportunities and strategies, namely by using electronic trading systems or e-commerce in marketing their products.

Various steps and policies, such as the National Economic Recovery program (PEN program), are used by the government to help revive community activities, especially for MSME players in times of economic crisis due to the pandemic. This study can lead SME owners to develop a growth strategy for their business, increase state income, and create long-term employment opportunities for the community.

The research presentation results regarding the economic sector affected by the Covid-19 pandemic, especially the MSME sector, and the various steps and policies taken by the government to address the financial sector's problems need to be developed by further researchers by adding updated official data.

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