

Economic Strategy Formulation in Recession Determination through the Role of Digital Economy (Study on MSMEs in Tangerang Regency)

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Received: 16/11/2022

Revised: 30/12/2022

Accepted: 11/02/2023

Abstract

The whole world, including Indonesia, is predicted to experience another global recession that will occur in 2023. This is supported by inflation and increases in benchmark interest rates since the end of 2022 by worldwide Central Banks simultaneously as well as food and oil and gas prices that continue to soar. In response to this, the government has entrusted the Indonesian economy to MSMEs which are considered capable of being the pillars of the country's economy, in which MSMEs have been proven to be able to survive various kinds of economic shocks such as facing a recession in previous years. This research will examine how MSME actors, especially in the Tangerang Regency area, will prepare solutions to deal with and continue to develop in the 2023 recession issue.

Keywords

Recession; MSMEs; Strategy

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1. INTRODUCTION

Not having had time to breathe a sigh of relief after being hit by the COVID-19 pandemic, the world, including Indonesia, is again rumored to experience a global recession in 2023. This fact is also reinforced by the narrative of Finance Minister Sri Mulyani Indrawati in a forum that one-third of the world economy, or as many as 43% of countries, will experience a recession in 2023. The existence of this issue is of concern to many countries because the impact that will be caused by the recession will not only be felt by economic actors but will also be felt by governments, companies, and all people in a country. (Damara, 2023)

Recession is a country's economic activity that is in a deteriorating state. This can be seen in negative gross domestic product (GDP), negative real economic growth for two consecutive quarters, and the unemployment rate increasing. According to its report, the World Bank Group has predicted the possibility of a global economic recession in 2023. (Guenette) Recession can be identified through the start of the weak global economy so that it has an impact on the state of all countries in the world. (Marliyah, 2023)



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Published by Institut Agama Islam Sunan Giri (INSURI) Ponorogo; Indonesia

In the seventy-three years since 1950, global recessions have been experienced four times, namely in 1975, 1982, 1991, and 2009. At any given time, there has been a contraction in annual real global GDP per capita and broad-based weakness in many countries. (Terrones) A country will have a greater likelihood of recession if its economy is highly dependent on the global economy. The risk of an economic crisis can lead to simultaneous reductions in all economic activity, including corporate financing, employment, and investment. The emergence of this recession issue is caused by several factors, which are shown by: (Mahdiyan, 2023)

1. Covid-19 pandemic. During the COVID-19 pandemic, almost all countries focused on handling COVID-19 by limiting physical activities to various activities, including economic activities. Thus, the development of the global economy experienced a sharp decline. At the same time, many countries are protecting food yields in anticipation of prolonged COVID-19 outbreaks, resulting in increased food prices due to a lack of supply. This is also experienced by the Indonesian state, which also experiences this condition. (Benton, 2022)
2. The Russia-Ukraine war that will take place in early 2023 has eliminated global GDP by USD2.8 trillion. The Russia-Ukraine war has pushed up international food and energy prices. whereas Russia and Ukraine are the breadbaskets of the world. According to statistics from the Food and Agriculture Organization of the United Nations, the two countries are exporters of 62.85 million tons of wheat. This is because Ukraine cannot sell the millions of tonnes of wheat and corn it planned to export before Russia blockaded its ports. (Jagtap, 2022)
3. The bank rate of interest is high. Central banks and federal banks around the world have simultaneously raised benchmark interest rates since the end of 2022, one of which is the Bank of England and the Federal Reserve (the Fed). Inflationary pressures in western states and the United States forced central banks to issue policies by raising interest rates as an indicator of controlling inflation. The rate of interest rate hikes is also applied in G20 member countries. This will have an impact on economic growth, resulting in a state called a global economic recession.
4. The High Inflation Rate, in the activities of the International Monetary Fund (IMF), which is explained in the October 2022 edition of the World Economic Outlook report, has predicted the global inflation rate to reach 8.8% in 2022 but will decrease by 6.5%, while Indonesia's inflation, according to the Central Bank, has been predicted to decline and return to the range of $3.0\pm1\%$ in 2023 and $2.5\pm1\%$ in 2024. In the face of this situation, several countries have withdrawn their fiscal and monetary incentives to overcome the risk of rising inflation.
5. There is a decrease in global demand. Lately many companies from various countries have minimized their production results because global market demand has decreased. This shows the decline in the global economy so that it will have an impact on the global economic growth rate will shrink

In the midst of the uncertainty of an increasingly complex economic situation, the role of micro, small, and medium enterprises (MSMEs) can be a solution and a rescue effort to face the economic crisis. (Suhartadi) Based on Law Number 20 of 2008, Micro, Small and Medium Enterprises (MSMEs) are types of small businesses that have a net worth of at most Rp. 200,000,000 excluding land and buildings for business premises and stand-alone businesses. National economic recovery must start from recovery efforts for the MSME sector. In theory, it is impossible to recover an economy in a country if it does not immediately recover its MSMEs first. (Sitanggang, 2020)

This is because as many as 99% of business actors in Indonesia are MSMEs. MSMEs are one of the pillars supporting the Indonesian economy. In maintaining the country's economy, MSME businesses are considered capable of becoming a pillar of support because they have proven to be able to survive various kinds of economic crises such as facing a recession in 1998. According to Eri, during such an economic situation, many large companies were expected to survive in their business activities, but the phenomenon was that many failed to survive. On the other hand, MSMEs actually become the driving force of the economy in the midst of a crisis. (Werdani, 2020)

The existence of MSMEs plays a very important role in the Indonesian economy, both in contributing to their profits and contributing to the income of each region in the form of taxes and opening up wide employment opportunities. (Hanim, 2018) According to data from the Ministry of Cooperatives and Small and Medium Enterprises in 2018, the number of MSME business actors amounted to 99.99% of the total business actors in Indonesia or 64.2 million. These MSMEs are dominated by micro entrepreneurs totaling 98.68% who have been able to absorb around 89% of the workforce. (Prambadi, 2023) This number continues to increase every year, and in 2022 it will reach 20.76 million and has entered the digital ecosystem. (Rizaty, 2022)

The increase in the existence of MSMEs is due to the unlimited MSME business opportunities on their market scale, and any field can have the potential to become an MSME business. Even though the community is in the midst of the COVID-19 outbreak in 2020–2022, they are still able to take part in fighting for the state of the country's economy provided that these MSME actors have creative and innovative ideas, many unique and renewable ideas, as well as skills that continue to grow according to expertise and skills that can be sold manually or digitally. (Marlinah, 2020) This research was conducted to find out what are the strategies carried out by MSME players in Tangerang Regency to be able to maintain and develop their businesses in facing the issue of global recession in 2023.

2. METHODS

In this case, researchers use descriptive qualitative methods with a library research approach (Khoirunnisa, 2021) By conducting literature research from books, scientific articles and websites, assisted by collecting data sources through interview techniques which are the most frequently used form of data collection in qualitative research. (Rachmawaty, 2027) The results of interviews and data obtained will be analyzed and described to review the strategies that will be used by MSME players in facing the threat of recession that will occur in 2023 and how they will develop their business.

3. FINDINGS AND DISCUSSION

Within 3 years, MSMEs in Indonesia continue to grow very rapidly. According to data from the Cooperatives and Micro Enterprises Office of Tangerang Regency, in 2020-2021 there were 25,918 MSME actors in the area. This figure continued to shoot up drastically to reach 33,339 (Hayati, 2023) and if in total as a whole, there are 59,317 MSME actors in Tangerang Regency (Ferdian, 2022) This increase occurred due to people's interest and desire to survive amid inflation and the increase in benchmark interest rates that occurred since early 2020 which occurred due to the Covid-19 Pandemic that hit the world.

This is also supported by the distribution of assistance funds to MSME actors provided by the Tangerang Regency Government. which makes MSMEs in Tangerang Regency continue to grow. The

increase in this number occurred because MSMEs were able to survive the pandemic and became a source of community search amid the rise of companies that imposed layoffs, which according to Jarnaji as Head of the Tangerang Regency Manpower Office, based on data as of June 2020, the number of employees laid off was 14,910 people and workers who were laid off were 9,386. (Tangerang, 2020) This great opportunity is much glimpsed by people in Tangerang Regency, and one of them is Mrs. Ria Marina Sari who makes her home business, Marina Cakes & Cookies a considerable opportunity.

Marina Cakes & Cookies was established in early 2019, which was before Indonesia was hit by the Covid-19 Pandemic outbreak. With this outbreak, Ria's mother has her own challenge on how she can save her business. According to him, running a business in the midst of the Covid-19 Pandemic is quite difficult to do, this is due to the price of raw materials that have increased quite high and mobility restrictions that make buying and selling activities hampered, So that it has a bad impact on the country's economy and this is one of the causes of the forecast of the 2023 global recession (Sari, 2023)

Over time, the digitisation process occurs in all aspects of the life of the world community, especially in the aspect of the economy itself. This is something that is viewed positively, where Mrs. Ria gets several solutions in order to maintain her business, namely by following the development of economic digitalisation, such as the use of e-commerce and digital marketing, and one of the most important things is not to focus too much on attracting new customers but also must focus on quality and existing customers, thus creating customer satisfaction to ultimately create customer loyalty. This digitisation process is in accordance with the government programme in the form of a digital MSME Training Programme that has been launched by the Ministry of Communication and Information Technology (Kominfo). (Arianto, 2022)

The Indonesian government, represented by the Ministry of Cooperatives and Small and Medium Enterprises strongly supports the use of online business systems or e-commerce as one of the surefire ways for cooperatives and MSME players to market their products in the midst of Covid-19. (Marlinah, 2020) E-commerce itself is a transaction of buying and selling product variants needed by consumers through digital platforms or electronic media or through computer networks as intermediaries for business transactions. (Laudon, 2016) It allows individuals to obtain whatever information exists and exchange information without being limited in space and time. (Bariyyah, 2017)

The main purpose of using e-commerce is to be able to increase profits and be able to reach a wider market that was previously only limited to selling only in certain areas, with the existence of e-commerce can reach new consumers. (Hardilawati, 2020) What was originally only limited to relatives, neighbors and office friends, now Marina Cakes & Cookies products are now known by many people in the area around Jabodetabek. And many of the MSME businesses that adopted the internet and embraced online business in the last two years have grown rapidly because the digital economy has pushed the e-commerce sector into something that people are interested in. (Akmaljon, 2022)

Marketing or marketing is one of the activities that a business person introduces or promotes their goods and / or services to the public, (Sundah, 2021) Digital marketing is the activity of promoting goods and / or services and market search through digital media online by utilizing various media targets, one of which is social networking (Retnowati, 2023) Digital marketing was first recognized in the early 1990s and began to become the main strategy widely adopted in the business world in 2014. (Nirmalasari, 2022) This marketing method is carried out by Mrs. Ria using the Instagram, Tiktok, Facebook applications, even her products have been registered in the Gojek application for the Tangerang City and Regency areas. This method is done because, more than three billion people in the world are active on social media and over the years, social media gets more users. (Ibrahim, 2018) In marketing her

products, Mrs. Ria usually posts videos while processing her products or photos of various variants of Marina Cakes & Cookies products and introduces products intensively on many accounts on social media using creative, interesting words and using hashtags (#) to make it easier for consumers to search for these products. This will shape brand awareness and can influence consumer purchasing decisions. (Sari, 2023)

This digitalization of the economy affects people's decisions in shopping through online shops, the factors that influence this are: (Permadi, 2017)

1. Comfort Level Through the online shop, people are invited to provide a sense of comfort in making buying and selling transactions. The level of comfort can also be shown through their trust when using digital platforms. other convenience by minimising physical activity between sellers and buyers so that they will avoid jostling when shopping in shopping centers. Then the choice of shopping at an online shop becomes a new, more effective alternative
2. Completeness of information The advent of information technology makes access to information so fast and easy. This is coupled with the emergence of various platforms that provide a variety of information on goods and/or services, rating and review features, and reviews about the quality and information of a good or service
3. Availability of goods and/or services Simply by accessing the website, the public can quickly Cost and time efficiency. Many websites offer prospective buyers the best price by comparing prices in several other stores at once. This price comparison becomes very meaningful for potential buyers. Especially with the online shop model that can be done anywhere and anytime using only a smartphone.

4. CONCLUSION

MSMEs in Tangerang such as Marina Cakes & Cookies adopted this development and carried out her buying and selling activities online in the form of e-commerce and marketing her products through digital marketing through Instagram, Tiktok, Facebook and also Gojek applications (online motorcycle taxis), because seeing from the large number of social media users that allow individuals, businesses, or organizations to interact with others and build economic relationships, It facilitates the buying and selling process and is also very efficient. Not enough there, one of the most important things and must be considered is not to focus too much on attracting new customers, but also must focus on quality and existing customers, so as to create satisfaction for customers to ultimately create customer loyalty. Because if the community is satisfied with the service, then the business has been trusted by the community.

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