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Factors Affecting the Financial Performance of Micro Small and Medium Enterprises (Msmes) During The Covid 19 Pandemic in Yogyakarta City

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Factors Affecting the Financial Performance of Micro Small and Medium Enterprises (Msmes) During The Covid 19 Pandemic in Yogyakarta City

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Keywords

*Granting of Credit
Msmes Performance
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Abstract

This research aims to determine the factors that affect the performance of Micro, Small and Medium Enterprises (MSMEs) during the Covid 19 Pandemic in Yogyakarta City. This study took a sample of MSME actors who are actively registered in the Cooperative, UKM, Manpower and Transmigration Office of Yogyakarta City. The data technique uses a questionnaire sent via google form. Validity and reliability tests were carried out on respondents who had the same characteristics as the research subjects. Measurement using the Likert scale 1-5 variables. The results showed that the granting of credit proved to be positive and significant towards the financial performance of MSMEs. Providing credit and deferring credit payments to MSMEs can be used as additional capital to increase the ability of MSMEs to develop businesses and improve MSME performance. The variable quality of financial report reports and tax relaxation which statistically has no effect on the financial performance of MSMEs. MSME actors have not been able to compile reports reliably to be used as a basis for decision making. In addition, MSME actors do not understand the relaxation policy, there are not many UMKM players, so they take advantage of this program.

Keywords: Granting of Credit, Msmes Performance, Tax Relaxation

Introduction

Small and Medium Enterprises (SMEs) are one of the drivers of economic growth and contribute to an increase in potential gross domestic income (GDP) in Indonesia. Based on data from the Central Statistics Agency (2019), the growth of Micro and Small Enterprises during the 2009-2013 period, the growth of MSE GDP continued to increase from 3.87 percent to 6.02 percent. The important role of MSEs in employment is to help the government reduce the number of unemployed. Based on BPS data in 2019, MSE employment reached more than 75 percent of the workforce outside the Agricultural Sector in Indonesia. The resilience of micro, small and medium enterprises (MSMEs) in Indonesia is being tested again in the face of the economic impact due to the spread of the Covid-19 corona virus which has spread since March 2020.

Since the Covid 19 pandemic, MSMEs players have had a very difficult time selling products. The Yogyakarta City Regional National Craft Council estimates that 70 percent of MSME actors who are members of institutions affected by the Covid 19 pandemic. As government support, the Yogyakarta Cooperative and UKM Service provides assistance programs around tax assistance, deferred installments and pre-work cards. The various efforts made by the government are expected to be able to assist MSMEs players in increasing capital in maintaining business.

Various government support in improving the performance of MSMEs, among others, is through a Bank Indonesia regulation that provides a policy for commercial banks to provide MSME loans with a minimum amount of credit or MSME financing set at 20% (twenty percent). During the Pademi Covid 19 period, the Government issued a policy to suspend credit interest until September 2020. In addition to the policy of deferring credit interest, the Government also provided a tax policy for MSME players, namely providing a zero percent final PPh rate for the six months period April-September 2020. As a condition for applying for credit to the bank, MSME players must prepare quality financial reports as a basis for consideration of creditworthiness.

Based on the findings of previous research, the purpose of this study is to find empirical evidence about the factors that affect the performance of post-Covid 19 MSMEs in Yogyakarta. The factors that will be tested are the quality of financial reports, providing credit, and tax relaxation in improving the performance of MSMEs.

The theory of stewardship according to Donaldson & Davis (1991) describes the condition of managers who are motivated from the main outcome target of organizational interests, not motivated by their personal interests. Company performance can increase because of the trustworthiness and loyalty of company managers to commitment in the company (Kurniawan, 2013). MSME actors who also act as steward will prepare financial reports as a form of financial accountability entrusted to them. According to Whetyningtyas & Mulyani (2016) SMEs who have the ability to prepare financial reports properly according to financial accounting standards will be wiser in channeling their funds to advance their business and become calculation data in determining how much capital to spend and how much profit will be obtained. . So it is necessary to keep transaction records, financial management, credit management from financial reports for the success of achieving operational performance. The presentation of information in a quality financial report is certainly able to provide a basis for consideration that is relevant to decision making by banks, so that the financing provided is used appropriately to improve business performance.

H1: The quality of financial reports has a positive effect on improving the performance of MSMEs

Credit is a source of funds that can be used by business actors to meet business operational needs. According to Whetyningtyas & Mulyani (2016) strategies for developing MSMEs can be carried out by providing convenience in the aspect of capital through government policies which are expected to provide capital assistance to develop businesses of business people. According to Purwanti in Santoso *et al.* (2015) stated that business capital has an effect on business development so that it requires ease in obtaining business capital at an affordable interest rate. Research by Indriyati (2018) and Pamulasari (2013) shows that the trend of increasing credit provision will be followed by an increase in MSME income. (Bahtiar & Saragih, 2020) state that the government's policy of providing lenient credit during the Covid 19 pandemic is considered appropriate to ease the burden on MSMEs. Stewardship theory explains that steward will protect and maximize the wealth of the organization with company performance, so that the utility function will be maximized (Raharjo, 2007). Steward will direct all abilities and expertise in making internal control effective, including the provision of credit which has been mandated to improve the performance of MSMEs.

H2: The provision of credit has a positive effect on the performance of MSMEs.

Tax exemption for UMKM players is taken as an effort taken by the Government to save MSME players. Difficult economic conditions and declining purchasing power of the community became a serious challenge for MSME players during the Covid Pandemic 19. According to (Marlinah, 2020), providing tax incentives for MSMEs can reduce operating costs or the burden of business expenses so that MSMEs are able to survive during a pandemic. This tax relaxation is expected to be able to help MSME players allocate more resources for business capital so that MSMEs can improve their performance amid the Covid Pandemic 19.

H3: Tax relaxation affects the performance of MSMEs

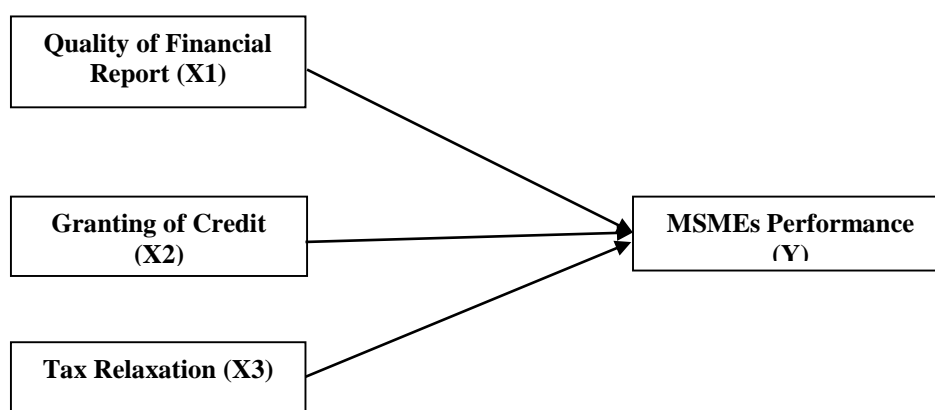


Figure 1. Research Framework

Method

Types of research

This research requires data and information in accordance with the variables to be tested through a questionnaire. The type of research used is hypothesis testing by testing the relationship to the variables studied (causal research).

Population and Sample Research

The population is the research subject. According to Sugiyono (2010: 117) population is a generalization area consisting of objects / subjects that have certain qualities and characteristics that are determined by researchers to be studied and then draw conclusions. The sample used in this study were active MSME actors in Yogyakarta City and registered with the Yogyakarta City Cooperative, UMKM, and Manpower Office.

Research Variable

Independent variables or independent variables in this study are the Quality of Financial Statements as X1, Credit as X2, and Tax Relaxation as X3. While the dependent variable or dependent variable in this study is the performance of MSMEs as Y.

Data collection technique

The research data collection was carried out by distributing questionnaires. According to Sugiyono (2010: 199) a questionnaire is a data collection technique which is done by giving a set of questions or written statements to respondents to answer. The questionnaire distributed to respondents contains a set of statements related to the object to be studied in accordance with the variable indicators on the research instrument. Data collection in this study was carried out by distributing questionnaires to MSME players in the city of Yogyakarta via Google Form.

Research Instruments

According to Arikunto (2010) research instruments are tools that are selected and used by researchers in carrying out their activities to collect data so that these activities become systematic and made easier by them. The research questionnaire consisted of 4 variables with a total of 33 statement items. The instruments used in this study used the instruments presented in Table 1.

Table 1. Research Indicators

Variable	Variable Concept	Indicator	Item
MSMEs performance (Y)	The performance of the micro and small enterprises (UMK) sector is influenced by several factors including human resources (owners, managers and employees); financial aspects, technical aspects of production; and marketing aspects. (Munizu, 2010)	1. Sales growth 2. Capital growth 3. Workforce growth 4. Market growth 5. Profit growth	8 Item
Quality of financial reports (X1)	Qualitative characteristics of financial statements are normative measures that need to be embodied in accounting information so that it can fulfill its objectives Peraturan Pemerintah Nomor 71 Tahun 2010 (Indonesia, 2010)	1. Relevant 2. Reliability 3. Comparable 4. The right representative 5. Understanding	11 item
Granting of Credit (X2)	Credit is the provision of money or an equivalent claim, based on a loan agreement or agreement between a bank and another party, which requires the borrower to pay off the debt after a certain period of time with interest. UU No 10 tahun 1998 (Indonesia, 1998)	1. Terms 2. Term 3. Interest rates	10 item

Variable	Variable Concept	Indicator	Item
Tax Relaxation	Tax relaxation is a tax intensive provision, namely PPh borne by the Government on the income received by employees with certain criteria.	1. Awareness 2. Regulations	4 item
(PMK-44/PMK.03/2020)			

Results and Discussion

Descriptive statistics

Descriptive statistical analysis provides a general description of the variables of each model used to test the factors that affect the performance of MSMEs during the Covid 19 Pandemic in Yogyakarta City to see the data distribution of these variables. The respondents of this study were 43 respondents in the city of Yogyakarta. Descriptive statistics of each variable will be presented in the following table:

Tabel 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Y	43	24.00	40.00	34.5116	4.44207
X1	43	34.00	55.00	45.8837	6.46680
X2	43	25.00	50.00	40.4884	6.69531
X3	43	10.00	20.00	16.0233	2.96398
Valid N (listwise)	43				

Source: primary data processed in 2020

The MSME performance variable has a minimum value of 24 and a maximum value of 40 with an average value of 34.51 and a standard deviation of 4.44. The variable of financial report quality is measured using an ideal score with a minimum value of 34 and a maximum value of 55, an average value of 43.03 with a standard deviation of 6.46. The variable of credit distribution has a minimum value of 22, a maximum value of 50 with a mean mean of 35.57 and a standard deviation of 0.334. The tax relaxation variable has a minimum value of 10, a maximum value of 20 with a mean mean of 16.02 and a standard deviation of 2.96.

Determination Coefficient Test Results

Testing the coefficient of determination aims to determine how much the ability of the model to explain the independent variables or said to be the proportion of the influence of all independent variables on the dependent variable. The greater the coefficient of determination, the better the ability of the independent variable to explain the variation in the dependent variable.

Table 3. Coefficient Test Results

Model	Model Summary ^b				
	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.651 ^a	.424	.380	.44506	1.593

a. Predictors: (Constant), X3, X2, X1

b. Dependent Variable: Y

Source: primary data processed in 2020

The coefficient of determination test results in table 18 shows the Adjusted R-Square of 0.380 or 38%. This shows that the performance of 38% of MSMEs is explained by the independent variables of the quality of financial reports and credit provision, while the rest is explained by other variables.

Significance Test Results

The significance test of this regression model is used to test the hypothesis, the researcher examines the effect of financial report quality (X1) and credit provision (X2) on the dependent variable of MSME performance (Y). Multiple regression testing is used to see whether the independent variables used in the study have a significant effect on the dependent variable. Following are the results of the research model regression:

Table 4. Significance Test Results

Model	Coefficients ^a					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.801	.726		1.105	.276
	X1	.057	.126	.060	.455	.652
	X2	.590	.123	.589	4.808	.000
	X3	.183	.119	.200	1.534	.133

a. Dependent Variable: Y

Source: primary data processed in 2020

The test above is carried out to test whether the quality of financial reports and credit provision has an influence on the performance of MSMEs. Based on Table 19, it shows that the quality of financial statements has a coefficient of 0.057 with a significance of 0.652. Statistically, the variable quality of financial reports has no effect on the dependent variable on the performance of MSMEs. The variable of credit distribution has a positive correlation coefficient of 0.589 with a significance of 0.000. Statistically, the variable of credit provision has a positive and significant effect on the performance of MSMEs, which is 58.9%. The tax relaxation variable has a positive correlation coefficient of 0.183 with a significance of 0.133. Statistically, tax relaxation variable has no effect on the dependent variable of MSME performance.

Discussion

The Effect of Financial Report Quality on the Performance of MSMEs

Based on the results of testing the first hypothesis, namely the quality of financial reports has a positive effect on the performance of unsupported MSMEs. Based on the results of the regression analysis, it shows that the quality of financial reports does not have a significant effect on the performance of MSMEs. This phenomenon occurs because MSME actors have not been able to compile reports reliably to be used as a basis for decision making. The test results show that the lowest indicator of the quality of financial statements is the level of MSME financial reporting. In addition, this also occurs because of the trade off in the quality of financial reports, if the financial statements have met the quality of the financial reports from the relevant aspects, then the reliability of financial reports is difficult to fulfill.

The results are consistent with the research of Indriyati (2018) and Debbianita & Sitorus (2016) showing that the level of quality of financial reports has no effect on the development of SMEs and the ease of access to financial institutions. Banks are still experiencing difficulties in obtaining customers of MSME players who are able to properly compile financial reports which are used as a basis for consideration of credit application approval. The low quality of financial reports prepared by MSMEs is certainly an obstacle for banks in making decisions. So that lending to MSMEs is a form of compliance with Government Regulations related to MSME financing policies.

The Effect of Granting of Credit on the Performance of MSMEs

The second hypothesis testing result is that the provision of credit has a positive effect on the performance of supported MSMEs. The results of the regression analysis showed that the provision of credit was able to improve the performance of MSMEs by 42.1%. This is because during the period MSME players receive credit payment relief facilities in the form of credit payment delays, so that the funds can be used to increase business capital for developing MSME performance. The results of the study are in accordance with the stewardship theory where managers will behave according to mutual interests. MSME actors as managers can be trusted to carry out their duties and functions appropriately, making financial accountability entrusted to them, so that economic goals to

improve business performance can be maximally achieved. The results of the study are consistent with Indriyati (2018) research which shows that the provision of credit has an effect on increasing the development of SMEs. The results of the study are also in line with the research of Wibowo & Wijaksana (2016) showing that the provision of credit has an influence on the development of micro and small businesses. The research is in line with the results of research by Cahyono & Suhada (2016) which show that providing credit can provide an increase in the performance of MSMEs. Providing credit to MSMEs which is used as additional capital will be able to increase the ability of MSMEs in developing businesses and improve the performance of MSMEs.

The Effect of Tax Relaxation on the Performance of MSMEs

The results of testing the third hypothesis, namely tax relaxation have an effect on the performance of MSMEs is not supported. This is due to the low understanding of MSME actors of the tax relaxation program launched by the government. So that tax relaxation has not affected the performance of MSMEs. This result is in line with Marlinah's research (2020) which shows that not many MSMEs have taken advantage of the tax incentives that have made it possible for MSME players to still not understand this tax incentive policy.

Conclusion

Based on the previous description, it can be concluded that the first hypothesis is not supported. This is because MSME actors have not been able to compile reliable financial reports as a basis for decision making. In addition, this also occurs because of the trade off in the quality of financial reports, if the financial statements have met the quality of the financial reports from the relevant aspects, then the reliability of financial reports is difficult to fulfill. The second hypothesis is supported, the variable provision of credit is proven to improve the performance of MSMEs. The ease of access to funding will help MSME players in the aspect of capital to develop their business. During the Pancemi Covid 19 period, the government provided credit payment relief in the form of delays in credit payments, so that funds can be used to increase business capital for developing MSME performance. The results of the research are in accordance with the theory of stewardship where SMEs (managers) can be trusted to carry out their duties and functions appropriately, making financial accountability entrusted to them, so that economic goals to improve their business performance can be maximally achieved. The third hypothesis is not supported, the tax relaxation variable has no effect on the performance of MSMEs. This is due to the low understanding of MSME actors of the tax relaxation program launched by the government. So that tax relaxation has not affected the performance of MSMEs.

Recommendations

Based on the results of the research that has been carried out, it can provide advice to related agencies, especially the Cooperative, UMKM, Manpower and Transmigration Office, to organize training activities for preparing financial reports based on SAK EMKM for MSME players in Yogyakarta City to be able to compile quality financial reports Banks should be more selective in channeling credit by considering the quality of MSME financial reports. During the Covid 19 pandemic, the banking sector could have an active role in carrying out government policies in delaying credit payments while still implementing a proper monitoring system. The tax office further socializes the tax relaxation program to increase understanding in procedures so that this program can be maximally utilized by MSMEs.

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