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*“The Review and Outlook of The Economy after Covid 19 Pandemic”*

**PALEMBANG CULLINARY SMES DURING COVID-19  
PANDEMIC OUTBREAK: THE EFFECT OF BUSINESS  
CAPITAL, LENGTH OF BUSINESS, NUMBER OF WORKER TO  
THE INCOME OF SMES**

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**ABSTRACT**

The Indonesian economy has experienced shocks, one of which is the people's economy due to the Covid-19 pandemic. With various policies related to efforts to prevent the corona virus, it is difficult for people to carry out economic activities. The pandemic has had a major impact on the Micro, Small and Medium Enterprise sector. The purpose of the study was to determine the effect of capital, length of business and labor on the income of Micro, Small and Medium Enterprises during the Covid-19 pandemic. This type of research is quantitative research. The number of samples in this study were 104 respondents. The data analysis technique used descriptive analysis, classical assumption test, namely data normality test, multicollinearity test, heteroscedasticity test, hypothesis test, simultaneous significance test (F statistic test), partial test (T-test) and linear regression analysis test. The results showed that there was an effect of capital on the income of Micro, Small and Medium Enterprises during the covid-19 pandemic with a p value of 0.027, there was a relationship between the length of business and the income of Micro, Small and Medium Enterprises during the covid-19 pandemic with a p value of 0.013, there were there is a relationship between labor and the income of Micro, Small and Medium Enterprises during the covid-19 pandemic with a p value of 0.048. Taken together, business capital, length of business and number of workers have an influence on the income of Micro, Small and Medium Enterprises during the covid-19 pandemic with a p value of 0.001.

Keywords: Business Capital, Labor, Length of Business, Income, Pandemic Covid-19

**1. INTRODUCTION**

Since the Covid-19 pandemic, various policies related to efforts to prevent the Covid-19 virus have emerged, such as the implementation of large-scale social restrictions (PSBB), the implementation of Community Activity Restrictions (PPKM) and Social Distancing, making it difficult for people to carry out economic activities. As a result, many SMES actors whose incomes decline due to fewer customers buying their products. In addition, the cost for production is a bit expensive and SMES actors also have difficulty getting capital loans. Since the outbreak of the COVID-19 pandemic, the needs of consumers have changed and resulted in a drastic decrease in the number of requests due to market uncertainty, which has reduced the demand for goods sold by SMES actors. Although SMESs have a very important position

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in the national economy, especially during the COVID-19 pandemic. 19 as it is today, but the SMES business does not always run smoothly because there are still many obstacles and problems faced by SMES actors. The problems that often arise in SMESs are usually related to limited capital, length of business and the number of workers. This is also felt by the perpetrators SMESs in 7 Ulu Village, Palembang City which have been affected by the COVID-19 virus pandemic. Kelurahan 7 Ulu Palembang City is known as one of the culinary centers of Palembang, the UMKM 7 Ulu Palembang City is dominated by UMKM which is engaged in the typical culinary of Palembang, namely pempek. The results of a preliminary study on 10 SMESs in 7 Ulu Village, Palembang City, which experienced a decrease in income during the covid-19 pandemic, which can be seen in the table below:

**Table 1**  
**Preliminary Observation at SMEs at Kelurahan 7 Ulu Kota Palembang**

No.	Variable	Performance Before and After Covid-19 Outbreak	
		Before	After
1	Business Capital	80%	40%
2	Length of Business	60%	30%
3	Number of Labor	80%	20%
4	Income	70%	30%

Based on the table above, the UMKM in Kelurahan 7 Ulu, Palembang City shows that the capital before covid-19 was 80% and during covid-19 it was 40%, this shows that there was a decrease in business capital during covid-19 caused by various factors, This is done to reduce the risk of loss. The length of business before covid-19 was 60% for the length of business > 5 years and during covid-19 it decreased due to the impact of the many business closures during covid-19. The number of workers before covid-19 was 80% and during covid-19 it was 20%, this shows the number of workers has decreased due to the implementation of Large-Scale Social Restrictions (PSBB) and has forced the company to reduce employees by reason of force majeure. in order to create company efficiency in order to survive during the covid-19 pandemic. The income earned before covid-19 was 70% and during covid-19 it was 30%, this shows that income during covid-19 has decreased due to social distancing policies that make at least visitors or buyers.

The object of the research was carried out in 7 Ulu Village, Palembang City, located in the Seberang Ulu 1 District, where 7 Ulu is one of the SMES centers in Palembang City. This village has an area of 66 Ha which is located 1 Km from the center of Palembang City. Kelurahan 7 Ulu Palembang City has 16 RW and 61 RT with a total population of 4,717 KK. Dozens of SMES actors are growing and developing in the area, thus making 7 Ulu one of the

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one destination in the city of Palembang. Its location around the Musi river and the trading center (Pasar 7 Ulu) is a strategic shopping and tourism destination.

## **2. LITERATURE REVIEW**

SMEs' performance can be understood either from a quantitative or qualitative perspective. The scope for Qualitative perspective covers efficiency, financial results, level of production, number of customers, goals achievement, leadership style, employee behaviour (Anggadwita & Mustafid, 2014). Customer satisfaction On the other hand, the quantitative perspective measures market share, profitability, productivity, dynamics of revenues, costs and liquidity (Gupta & Batra, 2016; Zimon, 2018), etc.

Thus, It is not only the study of performance features that is important, it is also relevant to mention research that focused on the factors that influence the performance of SMEs. To survive and succeed in a potentially austere environment, firms must effectively deploy and combine their physical, human and organisational assets. Thus, they will develop long-term competitive advantages and, in turn, achieve superior performance (Lonial & Carter, 2015). However, due to their limited resources, SMEs need to identify and exploit other means to be able to enhance their competitiveness and performance.

Generally, some scholar identifies various factors of the internal environment, which potentially influence the performance of SMEs, are mentioned in the literature. Of these, particular attention firstly is paid to: firm age and size (Arend, 2014; Nicolini, 2001). Arend (2014) confirms that when analyses are restricted to SMEs (excluding larger firms altogether), smaller SMEs are less likely to possess formal, routinised Dynamics Capability (DC). The absence of such advantages as potential confounding factors allows us to better disentangle the effects of DCs on SMEs on different sizes. With respect to proportionality, larger SMEs derive revenue from broader DC sets and spread development costs over larger bases (Arend, 2014) (Døving and Gooderham, 2008). This suggests an interesting crisis implication: effective DCs quickly implemented by smaller SMEs may comprise a larger percentage of their operations and revenue. In sum, strengths related to smallness (e.g. spontaneous vs planned DCs) become more complementary during the COVID-19 crisis, resource gaps are closed by federal relief programmes and the proportion of DCs to small-firm operations and revenue rises.

Human resources are considered the most precious asset of SME. SMEs that improve their performances and develop competing advantages, must apply an effective system of human resource practice (Katou, 2012). Practices of human resource consist of formal access used in human management (Armstrong, 2008). Informal practices of management resources are more developed in small and medium enterprises than big enterprises. The study of human practices are studied also from Bacon and Hoque (2005), according to them the wide range of practices which are used in SME are depended from the scale of employees' qualification, SME with

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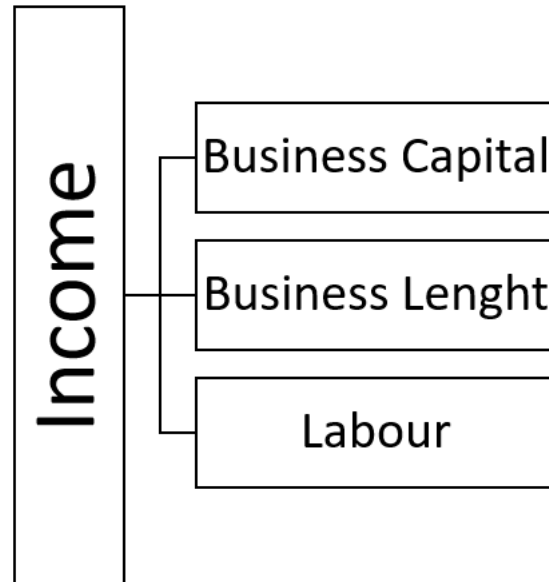
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low employees’ qualification have less opportunity to approve some practices of HRM, whereas SME that have a high percentage of employees’ qualification have more opportunity to invest in such practices in order to keep and develop their talents.

Furthermore, there is a holistics approach suggested by some studies that will integrating the internal and external environment factors in a synergetic influence on SMEs’ performance. According to Aceleanu, Trașcă, and Șerban (2014), the SMEs degree of development and performance are influenced by three categories of factors: (1) the general economic climate that directly or indirectly influences GDP and gross national product (G.N.P.), as well as the capacity to invest; (2) the structural characteristics of economy, reflected in the level of technologies used, public and private R&D and innovation spending, and innovating activities deployed; and (3) microeconomic factors, such as the number and structure of enterprises by size class or the survival rate (Mellita, D., Aliya, S., & Elpanso, E, 2020).

Specifically, Ipinnaiye, Dineen, and Lenihan (2016) consider that both SMEs’ performance determinants originated in their internal environment (company characteristics and strategy) as well as macroeconomic determinants (unemployment rate [UR], inflation rate, national competitiveness, real effective exchange rate, and domestic credit to the private sector). Gupta and Batra (2016) analysing survey data collected from 198 manufacturing Indian SMEs found a strong positive relationship between entrepreneurial orientation (EO) and firm performance, while environmental contingencies (demand growth and competitive intensity) were found to have a moderating influence on the EO–performance relationship. Beck, Demirgüç-Kunt, and Maksimovic (2005), based on a survey database covering 4,000 SMEs from 54 countries, analyse the effects of firm size, financial, legal and corruption-related barriers on SME growth rates, taking into account GDP per capita, GDP (million \$) and inflation as control variables.



### **3. DATA AND RESEARCH TECHNIQUE ANALISYS**

The population of this research is SMESs in Kelurahan 7 Ulu Palembang, amounting to 125 SMESs. The consideration for choosing the SMES population in 7 Ulu Palembang Village is due to the large number of SMESs in 7 Ulu Palembang Village and is considered a public service entity that needs to improve the production process and create innovations and creative ideas to maximize public services in order to survive in the midst of the Covid-19 pandemic. 19.

The sampling method used in this study is non-probability, namely convenience sampling. According to Sujarweni (2014) convenience sampling is sampling which is done by choosing samples freely according to the wishes of the researcher. This sampling method was chosen to facilitate the implementation of the thesis. on the grounds that the population of SMESs is very large. In addition, it is also difficult to make a real sampling frame because the list of SMESs is very difficult to obtain. The choice of the convenience sampling method was taken based on the availability of elements and the ease of obtaining them, in other words the sample was taken because the sample was at the right place and time. Sampling was done through a number of questionnaires with a number of research indicators. Researchers use a significant level of 5% based on the existing population, so it can be determined the number of samples that will be used as respondents in the study. The sample size in this study was taken using the Slovin formula (Notoatmodjo: 2012), so it can be seen that the sample size obtained is as follows:

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$$n = \frac{N}{1 + N(d)^2}$$

Keterangan:

n = number of samples

N = number of population

d = degree of freedom (0,05)

Based on calculations using the Slovin formula with 5% significant rate, the number of samples needed is 95.2 and rounded up to 95 respondents. To reduce the possibility of drop out, the sample was changed by 10%. So the total sample in this study was 104 respondents who were divided into 3 namely 36 micro enterprises, 36 small enterprises and 32 medium enterprises.

The independent variables used include business capital, length of business and number of worker and the dependent variables were income. Then, of the multivariate analyses presented in this paper lend themselves better to interval rather than scale variables; nevertheless, the information obtained through these analyses can inform decision makers on the strategic solution to enhance the performance of SMEs during pandemic outbreak.

**4. RESULT AND DISCUSSION**

**4.1. Result**

The study sample consisted of 95 SMEs located in Kelurahan 7 Ulu Kota Palembang. The typical respondent was male (56 percent) aged 31-40, with at least a secondary school level of education. Majority of the SMEs in the sample were considered as small business than medium. The result also shows that majority of the owner/managers in the survey were driven to set-up their business by financial motives, the desire to be independent and job satisfied. SMEs in the survey were seen to be disproportionately concentrated in the culinary sector. The result shows the average SME was below 5 years, employing between 1-5 employees (52.7 percent). This result indicates that the overwhelming majority of these firms are very small.

**Tabel 2  
Validity Result**

<b>Variable</b>	<b>Indicators</b>	<b>Sig</b>	<b>R-Stat</b>	<b>R-table</b>	<b>Validity</b>
Income	X1.1	0,000	0,603	0,3610	Valid
	X1.2	0,000	0,651	0,3610	Valid
	X1.3	0,000	0,628	0,3610	Valid
	X1.4	0,008	0,476	0,3610	Valid
	X1.5	0,000	0,654	0,3610	Valid
	X1.1	0,010	0,462	0,3610	Valid

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Business Capital	X1.2	0,007	0,480	0,3610	Valid
	X1.3	0,012	0,451	0,3610	Valid
	X1.4	0,029	0,398	0,3610	Valid
Business Lenght	X1.1	0,002	0,544	0,3610	Valid
	X1.2	0,000	0,607	0,3610	Valid
	X1.3	0,011	0,456	0,3610	Valid
	X1.4	0,000	0,648	0,3610	Valid
	X1.5	0,000	0,711	0,3610	Valid
	X1.6	0,000	0,597	0,3610	Valid
Worker/Labor	X1.1	0,001	0,562	0,3610	Valid
	X1.2	0,001	0,588	0,3610	Valid
	X1.3	0,004	0,515	0,3610	Valid
	X1.4	0,009	0,468	0,3610	Valid
	X1.5	0,000	0,647	0,3610	Valid

Based on the results obtained from the validity test, it shows that all question items have a calculated R value greater than the R table and the Sig value. All question items scored below the 0.05 significance level. So it can be concluded that all question items are declared valid. The reliability test also shown that the Cronbach's alpha value on the income variable is 0.847, the capital variable gets a Cronbach's alpha value of 0.835, and the workforce variable gets a value of 0.832 so it can be concluded that all items of each variable are declared reliable because it is greater than the value. standardization of reliability that is equal to 0.600.

**Tabel 3**  
**Reliability Test**

<b>Variabel</b>	<b>Nilai Alpha Cronbach</b>	<b>Keterangan</b>
Pendapatan	0,847	Reliabel
Modal	0,835	Reliabel
Lama Kerja	0,842	Reliabel
Tenaga Kerja	0,832	Reliabel

In order to determine if the data set is well-modelled by a normal distribution and compute how likely it is for a random variables underlying the data set to be normally distributed, this research use normality test. Based on the results obtained from the normality test using Kolmogorov Smirnov, it shows that all data in this study have a significance value of 0.665, meaning that the significance value is > 0.05, this indicates that the residual value is normally distributed.

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**Table 4**  
**Normality Test Using Kolmogorov-Smirnov**  
**One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		104
Normal Parameters <sup>a</sup>	Mean	.0000000
	Std. Deviation	2.49310283
Most Extreme Differences	Absolute	.071
	Positive	.071
	Negative	-.052
Kolmogorov-Smirnov Z		.728
Asymp. Sig. (2-tailed)		.665

a. Test distribution is Normal.

Based on the results obtained from multiple regression analysis, it shows that capital has a relationship with the income of micro, small and medium enterprises (SMESs) during the covid-19 pandemic with a p value of 0.027 ( $<0.05$ ) which states that the H1 hypothesis is accepted. The length of business variable has a relationship with the income of micro, small and medium enterprises (SMESs) during the covid-19 pandemic with a p value of 0.013 ( $<0.05$ ) which states that the H2 hypothesis is accepted and the labor variable has a relationship with the income of micro and small enterprises. medium-sized enterprises (SMESs) during the covid-19 pandemic with a p value of 0.048 ( $<0.05$ ) which states that the H2 hypothesis is accepted.

Based on the results obtained from the F-statistical test, it shows that the calculated F value is 5.820 with a significance level less than 0.05, namely 0.001. So the regression model has an interaction between the variables of capital, length of business and the number of workers together being able to prove an influence on the income of micro, small and medium enterprises (SMESs) during the covid-19 pandemic. Based on the results obtained in the hypothesis test, namely  $H_a: 1 \ 2 \ 0$ , which means that there is an effect of capital, length of business and number of workers together being able to prove an influence on the income of micro, small and medium enterprises (SMESs) during the covid-19 pandemic.



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**Table 8**  
**Partial Test Result**  
**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	4.523	2.348		1.926	.057		
Modal	.284	.127	.207	2.238	.027	.998	1.002
Lama usaha	.285	.112	.236	2.542	.013	.986	1.015
Tenaga Kerja	.204	.102	.186	1.999	.048	.986	1.014

a. Dependent Variable: Income

Based on the results obtained from the t-statistical test, it was found that:

1.  $H_a \neq 0$ , means that there is an effect of capital (X1) on the income of micro, small and medium enterprises (SMESs) during the covid-19 pandemic (Y) with a p value of 0.027
2.  $H_o \neq 0$ , means that there is an effect of length of business (X1) on the income of micro, small and medium enterprises (SMESs) during the covid-19 pandemic (Y) with a p value of 0.013
3.  $H_o \neq 0$ , This means that there is an influence of labor (X1) on the income of micro, small and medium enterprises (SMESs) during the covid-19 pandemic. (Y) with p value 0.048

The coefficient of determination test discovers that the adjusted R2 value is 0.149. This indicates that the variables of labor, capital and length of business are only able to explain 14 percent of the variation in the income variable of micro, small and medium enterprises (SMESs) during the covid-19 outbreak.

**4.2. Discussion**

The results showed that business capital had an effect on the income of SMESs in 7 Ulu Village, Palembang City during the covid-19 pandemic. That is, capital affects production output so that higher capital will be able to increase production output, this is because the production process requires costs for labor and the purchase of raw materials and equipment so that it will affect the increase in income and efficiency of trading business.

On the other hand, the findings showed that the length of the business had an effect on the income of SMESs in 7 Ulu Palembang Village during the covid-19 pandemic. This means that the longer a business person engages in the trading business, the knowledge about consumer

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behavior and market behavior will also increase. Trade skills are increasing, the more business relationships and customers are successfully captured. In addition, the longer the trader runs his business, the more experience he gets.

Within the findings, it is discovered that the number of workers affected the income of SMESs in 7 Ulu Village, Palembang City during the covid-19 pandemic. That is, the more skilled workers, the more products will be produced which will later lead to additional income for employers and workers. In addition, if the production output increases with the aim of increasing income, the required workforce will also increase.

Finally the results of the study show that jointly business capital, length of business and number of workers have a significant and significant effect on SMES income in 7 Ulu Village, Palembang City during the covid-19 pandemic. That is, to increase income, SMES actors in 7 Ulu Village, Palembang City must be able to increase business capital, use their skills and experience in doing business carefully to see business developments as well as market demand and consumer tastes, as well as use a skilled, creative workforce. , diligent, tenacious and have the expertise and level of education needed in the SMES business venture. The combination of these three variables is believed to increase the income of SMES actors in 7 Ulu Village, Palembang City.

## **5. CONCLUSION**

Based on the problem formulation and research results, this research summarize some point, first there is an effect of business capital on the income of micro, small and medium enterprises (SMESs) during the covid-19 pandemic with a p value of 0.027. Then, there is a relationship between the length of business and the income of micro, small and medium enterprises (SMESs) during the COVID-19 pandemic with a p value of 0.013. Third, There is also relationship between the workforce and the income of micro, small and medium enterprises (SMESs) during the COVID-19 pandemic with a p value of 0.048. Therefore, it can be conclude that business capital, length of business and number of workers have an influence on the income of micro, small and medium enterprises (SMESs) during the COVID-19 pandemic in Kelurahan 7 Ulu with a p value of 0.001.

In order to increase income, SMES entrepreneurs in Kelurahan 7 Ulu must be able and willing to increase their business capital either through loans at banks and other money-lending businesses or through their own business capital. In addition, SMES entrepreneurs must also be able to use the business experience they have passed for years by being able to understand business developments according to market demands and tastes that continue to change and develop. The workforce that will be used in assisting business ventures must have good qualifications and work quality based on experience, education and a good work ethic that can support the development of business activities. Government assistance, both in terms of

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business capital assistance, as well as improving the quality of workers through training, will greatly assist the development of SMES businesses in increasing income during the COVID-19 pandemic.

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