

## The Phenomenon of MSMEs Performance in Magelang City During the Pandemic COVID-19

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### Abstract

*Micro, Small, and Medium Enterprises (MSMEs) have a fundamental role in the regional economy as well as the national economy. This study aims to provide empirical evidence regarding the performance variability of MSMEs during the COVID-19 pandemic. The research population is all MSMEs in Magelang City. The research sample was 7,924 MSMEs obtained through purposive sampling. This study uses descriptive statistical analysis. The results and discussion show that the City of Magelang, from an economic perspective, has a fairly stable economic condition from 2015 to 2019. However, the COVID-19 pandemic in 2020 put the economy of Magelang City in a recession phase. Nevertheless, the competitiveness of Magelang City in 2020 has increased compared to 2019. The analysis of the variability of the performance of MSMEs shows that the South Magelang District has the lowest turnover of MSMEs. Central Magelang Subdistrict has the highest MSME turnover value. South Magelang Subdistrict has the highest average turnover of MSME compared to the average turnover of MSME in North Magelang and Central Magelang Districts.*

*Keywords: MSME's; Performance; COVID-19 pandemic*

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### 1. INTRODUCTION

MSMEs have an important role in Indonesia's economic growth. MSMEs make a significant contribution to sustainability and inclusive economic growth in both developed and developing countries (Prakoso, Giovanni and Panjawa, 2021). Hamdani and Wirawan (2012) explained that there were as many as 43.22 million MSME units in Indonesia, or 99.985 percent of the total market share in Indonesia in 20,06, and were able to contribute 53.28 percent to Indonesia's GDP. Based on data from the Indonesian Ministry of Cooperatives and MSMEs, 62.9 million MSME units in Indonesia control 99.99% of the total business units in Indonesia ([ukmindonesia.id](http://ukmindonesia.id),

2019). The existence of MSMEs is able to absorb around 116.63 million workers, or equivalent to 97.05 percent of the total workforce in Indonesia.

According to Lumunon et al. (2021), the MSME sector made a large contribution to Indonesia's GDP in 2019, which contributed 60% to GDP and 14% to the total value of Indonesia's exports. Thus, MSMEs have an important role in assisting the government with job creation, poverty alleviation, and equitable distribution of income. The urgency of MSMEs as the backbone of the Indonesian economy shows that special attention is still needed for MSMEs as the support for the national economy. Alves et al. (2020) revealed that MSMEs are very vulnerable to crises, especially prolonged crises such as the crisis caused by the COVID-19 pandemic. MSMEs are more vulnerable to feeling the negative impact caused by the crisis than large-scale companies. The COVID-19 pandemic that has hit Indonesia has the potential to have a negative impact on the sustainability and growth of Indonesian MSMEs.

The COVID-19 pandemic is a global health crisis that affects almost every line of life. The COVID-19 pandemic is spreading rapidly and is experienced by almost all countries worldwide. Mathieu et al. (2021), revealed that up to 7 April 2021, there were 2.89 million people who died from COVID-19, and as many as 133 million people were confirmed positive for the SARS-CoV-2 virus. The existence of the COVID-19 virus not only has an impact on human health and endurance but also has a direct impact on economic and business factors (Lumunon, Massie and Trang, 2021). Various government policies have been issued to reduce the spread of the COVID-19 virus, one of which is the physical distancing policy (Ozili, 2020). However, this effort has a negative impact on the company's production activities and business operations. Limited mobility and various business activities resulted in the paralysis of the world economy (Inegbedion, 2021). One of the impacts is that the level of product demand has decreased very sharply, and economic activity has been hampered (Ozili, 2020), as well as an impact decline in a country's GDP level. Maliszewska et al. (2020) explained that since the COVID-19 pandemic spread throughout the country, the GDP level of developing countries has decreased significantly.

In Indonesia, the COVID-19 pandemic was first confirmed in March 2020 and directly impacted the country's economy. Arieza (2021) explained that in the first quarter of 2020, the Indonesian economy only grew by 2.97% year over year. This condition showed a significant decline compared to the previous year when economic growth reached 5.07% yearly. The economic growth rate in the second quarter of 2020 experienced a very significant decline, reaching -5.32%, while in the second quarter of 2019, Indonesia's economic growth reached 5.05%. The decline in Indonesia's GDP was caused by the shock of household consumption as the largest contributor to GDP. This deteriorating economic condition resulted in various government development plans experiencing serious disruptions, especially in terms of poverty alleviation. Indonesia's unemployment rate is predicted to increase significantly to 12 percent (Ministry of Finance, 2020).

Based on the Business Activity Survey (SKDU), the Weighted Net Balance (WNB) of business activities in the second quarter of 2020 reached the lowest figure, which was -5.7. These conditions indicate that various kinds of improvement in business activities are needed in all economic sectors, especially in the hotel and

restaurant trade sector, manufacturing, transportation, and communication industries (Purwanto, 2021). As reported from *katadata.co.id* (2021), 56.8 percent of MSMEs were in bad condition after the pandemic entered Indonesia, and only 14.1 percent were still in good condition. In addition, as many as 82.9 percent of Indonesian MSMEs have been negatively affected, 11.2 percent of MSMEs are not affected, and only around 5.9 percent of MSMEs have been positively affected by the COVID-19 pandemic. Of the total MSMEs in Indonesia, there was 63.9 percent of MSMEs that experienced a decline in a business turnover of more than 30 percent. Azahari et al. (2020) explained that the pandemic affected as many as 30 million MSMEs and went bankrupt. Until the end of 2020, there were only around 34 million MSME units; in 2019, the number of Indonesian MSMEs reached 60.4 million units with a contribution to GDP of 60%.

One of the conditions of MSME can be represented by the presence of MSME in Magelang City. Magelang City is the smallest area in Central Java Province which only has an area of 18.12 km<sup>2</sup> of the total area of Central Java Province, which reaches 3.25 million km<sup>2</sup> (Prakoso, Giovanni and Panjawa, 2021). With this small area, the City of Magelang has a huge opportunity to develop and advance the region, especially with its strategic location, which is between the traffic lanes of Semarang and Yogyakarta and surrounded by various tourist destinations. Magelang city is located not far from the Borobudur Temple National Tourism Strategic Area. Its strategic location can be an opportunity for the surrounding community to build or develop their business to provide good opportunities for the development of MSMEs in Magelang City.

Based on data from the Department of Industry and Trade, Magelang City has a relatively large number of MSMEs, with around 5,000 MSME units registered in Magelang City in 2017-2018. Magelang City MSMEs has increased from year to year. In 2020, there were 7,924 MSME units in the Magelang City area. The size of the total Magelang unit in Magelang City makes a significant contribution to the city government in alleviating poverty and absorbing labor (Department of Industry and Trade of Magelang City, 2020).

Magelang City is classified into several sectors: the service sector, the trade sector, and the non-agricultural production sector. In the service sector, there are 1,299 business units. There are 5,068 business units in the trade sector, and in the non-agricultural production sector, there are 1,557 business units. The relatively large number of MSME business units is considered to have a good influence on the amount of GRDP in Magelang City. Based on Prasetyanto et al. (2021), the Magelang City MSME sector contributed 53.3 percent of the total GRDP as a whole. The high contribution of MSMEs to the GRDP of Magelang City represents that the existence of MSMEs is fundamental to the economy of Magelang City.

From an economic perspective, the City of Magelang has had a fairly stable economic condition throughout the last five years, from 2015 to 2019. However, the COVID-19 pandemic in 2020 put the economy of Magelang City in a recession phase. The COVID-19 pandemic has caused many business actors to experience several obstacles. The obstacle almost felt by all MSME actors is the decline in the level of demand. It directly impacts the decline in business performance and even results in a decrease in the number of MSMEs.

This study aims to provide empirical evidence regarding the phenomenon of the performance of MSMEs in Magelang City. This research specifically aims to provide an understanding of the economic conditions and competitiveness of the City of Magelang, as well as the variability of the performance of MSMEs in each sub-district in Magelang City during the COVID-19 Pandemic. This research theoretically contributes to developing management knowledge, especially regarding aspects of company performance.

## **2. LITERATURE REVIEW**

The COVID-19 pandemic has caused the profitability of MSMEs to decrease significantly, which can lead to business bankruptcy. According to a report from LIPI, as many as 47.13 percent of businesses were able to survive until August 2020, 72.02 percent of businesses closed after November 2020, and there was 85.42 percent of businesses that could survive for a maximum period of one year since the COVID-19 pandemic started. This condition is caused by business actors experiencing limited space, difficulty obtaining raw materials, external capital, and drastic declines in demand and sales (Alves *et al.*, 2020). Ayem *et al.* (2020) revealed that since the COVID-19 pandemic, business actors had difficulty selling their products, so most MSMEs experienced a decline in performance in earning income and profits. Based on this phenomenon, most Indonesian MSMEs have very declining performance, so immediate improvement must be made to realize economic growth and create an independent Indonesian economy.

Business performance is related to behavior in various activities and problems that can determine the quality of the work (Apriani, Kaban and Pasaribu, 2021). Business performance is the result of performance created by a business that contains various items tied to market performance and economic performance (Kusa, Duda, and Sister, 2021). Based on Seo and Lee (2019) study, the business performance includes two components: financial and non-financial.

Financial performance represents the success of the company's efforts to achieve profit creation. Financial performance analysis can estimate the company's future growth and potential through the utilization of the company's resources (Giovanni *et al.*, 2021). Non-financial performance represents the company's performance that cannot be measured by the scale of the value of money (Nguyen *et al.*, 2021). The company's non-financial performance can be in the form of company reputation, innovation, customer satisfaction, and brand image. In contrast, the company's financial performance can be an increase in sales or an increase in the amount of profit earned. Improved company performance indicates the success of achieving company goals is getting better. On the other hand, a continuous decline in financial performance can impact the company's survival, and it is not impossible if the company will experience financial difficulties and even bankruptcy (Pham Vo Ninh 2018).

## **3. METHODOLOGY**

This research is a descriptive study used to collect information to examine the characteristics of a group or population, such as humans, objects, thinking systems

or events, and situations (Ria, 2018). The data in this study is secondary data, namely in the form of MSME performance data, represented through the accumulated turnover value of MSMEs per month. The research data was obtained through data provided by the Department of Industry and Trade of Magelang City.

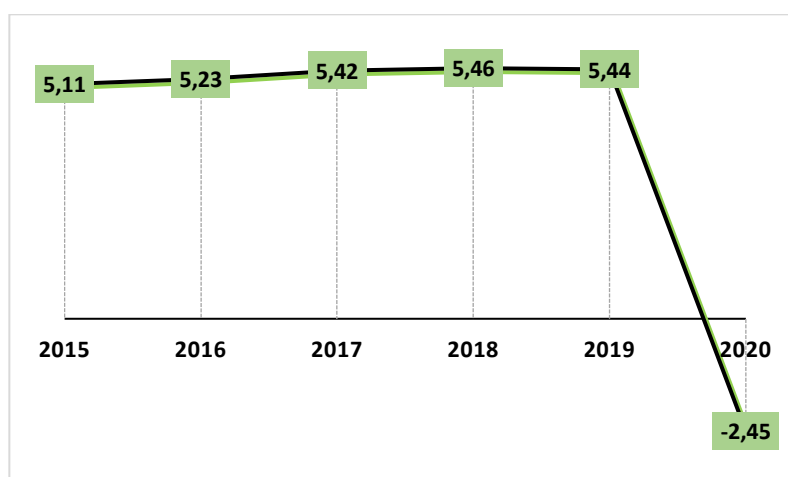
The research population is all MSMEs in Magelang City. Based on data from the Department of Industry and Trade, there are three types of MSME sectors: the service sector, the trade sector, and the non-agricultural production sector. The sample in this study was taken by the purposive sampling method. The sampling method is carried out to obtain samples according to the categories or criteria set. The sample criteria in this study are as follows: a) All Micro, Small, and Medium Enterprises sectors registered at the Department of Industry and Trade of Magelang City in 2020. b) In All sectors of Micro, Small, and Medium Enterprises that have data on performance results or turnover in 2020 with the sample criteria, an observation sample of 7,924 MSME units in Magelang City was obtained.

The data analysis technique in this study used descriptive statistical analysis. Based on Sugiyanto et al. (2019), descriptive statistics are used to provide an overview of the data that has been collected. The descriptive analysis includes the questionnaire score's average, minimum, maximum, and standard deviation values.

#### 4. RESULT AND DISCUSSION

##### 4.1. Economic Condition and Competitiveness of Magelang City

From an economic perspective, Magelang City had a fairly stable economic condition during the last five years, from 2015 to 2019. However, the COVID-19 pandemic in 2020 put the Magelang City economy in a recession phase. Based on Figure 1 below, it can be interpreted that from 2015 to 2019, the City of Magelang had an economic growth rate of above 5 percent, with an average growth of 5.3 percent.

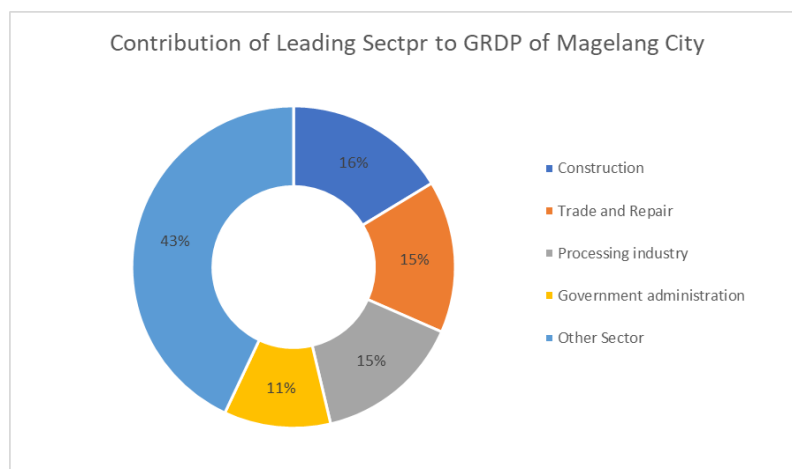


**Figure 1.** Graph of Economic Growth Rate of Magelang City Based on 2010 GDP-ADHK (%)

Source: BPS, 2021

The highest economic growth rate occurred in 2018 at 5.46 percent. In 2019, economic growth decreased slightly from 0.2 percent to 5.44 percent. Then, growth continued to decline sharply to reach minus 2.45 percent in 2020. The recession that occurred in Magelang City due to the COVID-19 pandemic made the economy sluggish, and this also accumulated aggregately in Indonesia's economic growth in 2020 of minus 2.07 percent.

Figure 2 below summarizes the contribution of sectors that dominate the economic structure of Magelang City. For the last five years (2016 to 2020), Magelang City's output has been dominated by four leading sectors with an average proportion of 57 percent, the remaining 43 percent being produced by other sectors. The four leading sectors of Magelang City are the construction sector in the first place, followed by the trade and repair sector, the manufacturing industry, and government administration, respectively.



**Figure 2.** Chart of Average Contribution of Leading Sector to GRDP of Magelang City in 2016 – 2020 (%)

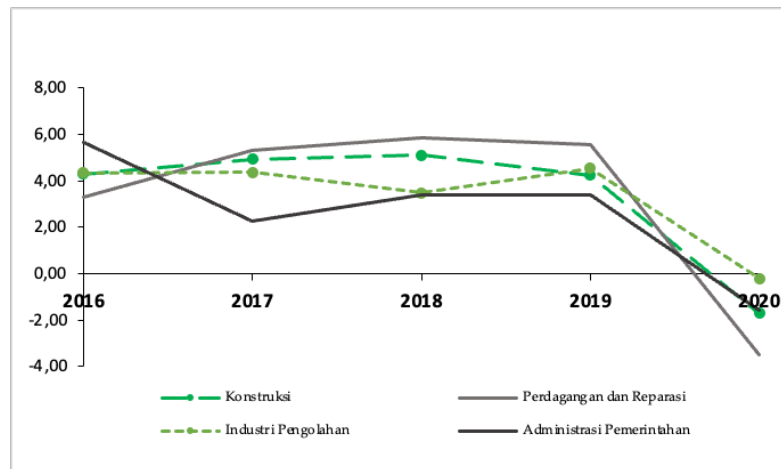
Source: BPS, 2021

The contribution growth of the four leading sectors in the last five years is presented in Figure 3. This figure shows that the trade and repairs sector has the most significant growth compared to the other three sectors. However, this sector is also the most affected by the COVID-19 pandemic in 2020. The growth in the contribution of the trade and repair sector has been above 5 percent since 2017 and decreased drastically in 2020 to minus 3.5 percent.

Meanwhile, the construction and manufacturing industries are the two leading sectors with stable contribution growth. Although in 2018, the processing industry experienced a sharp decline, in 2019, this industry was able to increase its contribution to the level of 4.53 percent. Interestingly, the manufacturing industry is the sector that has been least affected by the COVID-19 pandemic. In 2020, the manufacturing industry only contracted by minus 0.21 percent (the lowest compared to the other three leading sectors). This is due to the improved performance of the processing industry in 2019.

On the other hand, the government administration sector is a leading sector whose performance has declined in the last five years. In 2016, the growth of this sector was ranked first compared to the other three leading sectors, with a growth

rate of 5.68 percent. However, its contribution tends to decrease yearly and always occupies the lowest position compared to the other three sectors. The COVID-19 pandemic has implications for the decline in the contribution of this sector to minus 1.58 percent (almost equivalent to the construction sector, at minus 1.7 percent).



**Figure 3.** Contribution Growth of each Leading Sector to the GRDP of Magelang City (%)

\*Konstruksi = Construction  
 Industri Pengolahan = Processing Industry  
 Perdagangan Dan Reparasi = Trade and Repair  
 Administrasi Pemerintahan = Government Administration.

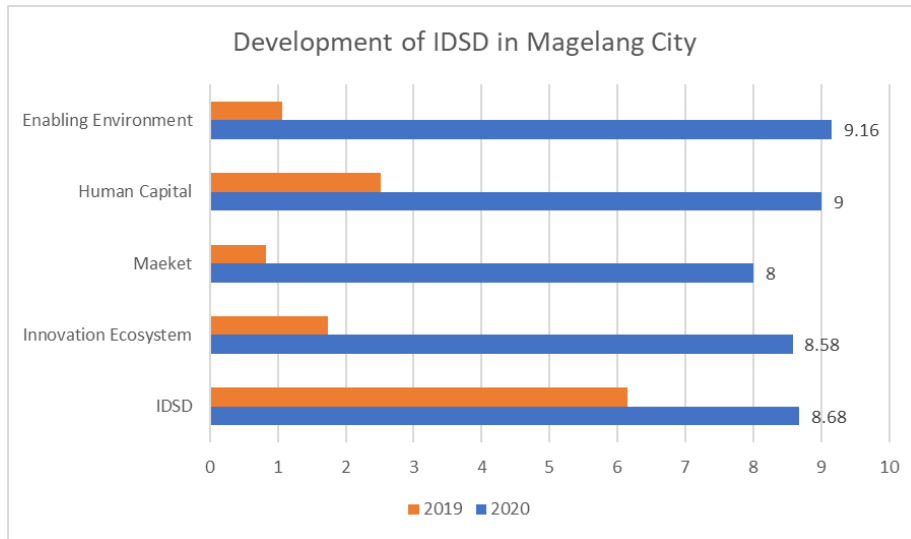
Source: BPS, 2021

Regional economic conditions are closely related to regional competitiveness. Regional competitiveness has a linear relationship with community welfare; the higher the competitiveness value of an area, the higher the quality of community welfare. Globalization increasingly developing into market openness and economic integration has triggered Indonesia to continue improving its competitiveness by taking advantage of its comparative advantages (Teja, 2015). Therefore, the Ministry of Research and Technology/BRIN has initiated the Regional Competitiveness Index (IDSD) to assess each region's competitiveness in Indonesia.

IDSD is expected to represent the conditions and capabilities of the region in optimizing all its potential through increased productivity, added value, and domestic and international competition, which ultimately leads to quality and sustainable welfare. Simply put, IDSD reflects the level of productivity, progress, competition, and independence of a region. IDSD is also expected to be the main reference for preparing and determining national and regional policies that encourage synergy between inter-sectoral programs to increase economic growth and regional innovation (Kemenristek, 2020). This index has four main aspects, namely enabling factors, human resources, markets, and the innovation ecosystem; 12 pillars with 23 dimensions and 97 indicators (in 2020).

IDSD 2020 has a different construction from the 2019 IDSD value. This difference can be seen in the change in the number of indicators from 78 in 2019 to 97 in 2020. The IDSD assessment scale is also different, where the 2019 IDSD has a scale of 1 to 12, while the 2020 IDSD shortens the scale to 1 to 5. Therefore, the 2020 IDSD results will be converted using a 1-12 scale such as the 2019 IDSD so

that the development of Magelang City's competitiveness can be assessed in a balanced manner. IDSD 2019 is divided into four categorical scales, namely low (0 – 3), moderate (3.01 – 6), high (6.01 -8), and very high (8.01 – 12).



**Figure 4.** Development of IDSD in Magelang City in 2019 – 2020

Source: indeks-inovasi.brin.go.id (2021)

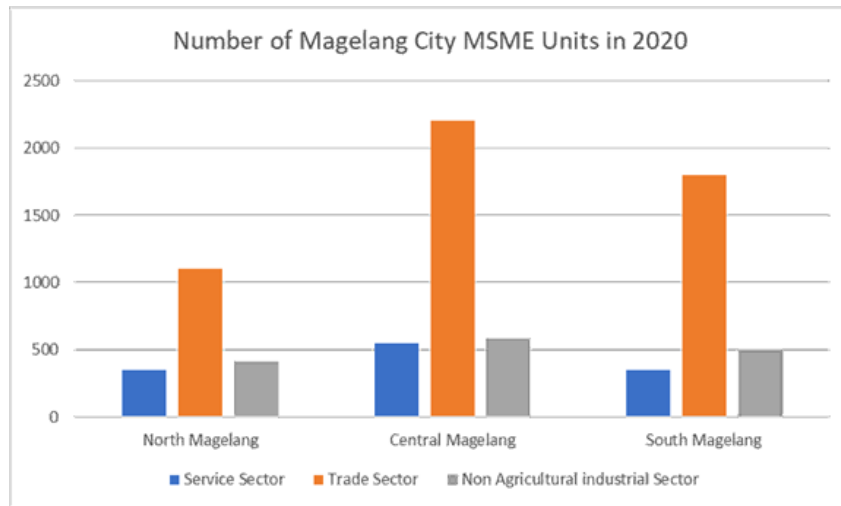
Based on Figure 4 above, the IDSD of Magelang City increased quite significantly from the high category of 6.15 in 2019 to a very high of 8.68 in 2020. With this value, Magelang City occupies the 7th position as the best competitive city/district in Central Java Province and is included in the ten best cities in Indonesia (Research-BRIN, 2020). The aspect of the reinforcing factor (enabling environment) is the most superior aspect value of  $(3.82 \times 2.4) = 9.16$  or an increase of 8.10 points.

Then, followed by aspects of human resources in the second position. The market aspect and the innovation ecosystem also developed significantly during this period. Aspects or components that make up the competitiveness of Magelang City are getting better in 2020 through an increase in every aspect from the "low" category to "very high".

#### **4.2. Magelang City MSMEs Performance Variability**

Magelang City consists of several sectors: the service sector, the trade sector, and the non-agricultural production sector. Magelang City has a small area with only three sub-districts: North Magelang District, Central Magelang District, and South Magelang District. With a small area, it does not mean that Magelang City has a small number of business units.





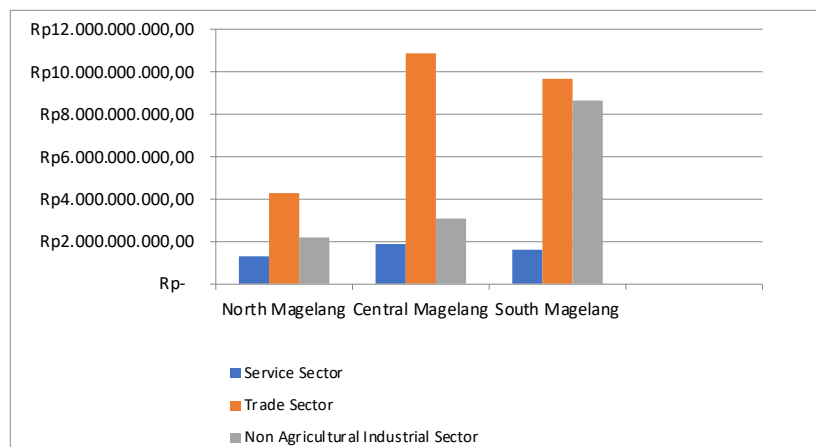
**Figure 5.** Number of Magelang City MSME units in 2020 by Business Sector

**Source:** Data processed, 2021

Figure 5 shows the MSME sectors' distribution and units in the Magelang City sub-district. Figure 5 shows the total number of MSMEs in the trade sector is the MSME sector with the largest unit in 3 districts. North Magelang District has 1,114 units out of 1,933 MSME units. Magelang Tengah Subdistrict controls 2,144 units of the total number of MSME units of 3,313 units. In South Magelang District, 1,810 units of 2,678 business units are in the South Magelang District.

Central Magelang Subdistrict in the region with the largest number of MSME in the trade sector among the other two regions. In addition, the most service sector MSME are in Central Magelang District, 574 units out of 1,299 service sector MSMEs in Magelang City. Businesses in the service sector include tutoring services, tailors, printing, travel bureaus, services, and workshops. In the non-agricultural industry sector, the largest MSME units are also in Central Magelang District. Cumulatively, the Central Magelang Sub-district is the sub-district with the highest number of MSMEs. This means Central Magelang District's people are highly interested in running a business.

The variability of MSME performance in each sub-district in 2020 can be explained in Figure 6.



**Figure 6.** Number of Magelang City MSME Turnover in 2020 by Business Sector

**Source:** Data processed, 2021

Figure 6 shows that the sub-district with the highest turnover of MSMEs in the Service Sector is Magelang Tengah District, which is Rp. 1,884,010,000. then followed by South Magelang District with a total turnover of Rp. 1,619,305,000. North Magelang District occupied the last position with a value of Rp. 1,291,485,000. The highest accumulated turnover for the trade sector was shown by MSMEs in Magelang Tengah District of Rp. 10,890,610,000. The lowest accumulated turnover of MSMEs is shown in the North Magelang District, with a value of Rp. 4,265,155,000. In the non-agricultural production sector, the highest total turnover was shown by MSMEs in Magelang Selatan District of Rp. 8,646.837,000. The accumulated turnover of MSME in North Magelang District has the lowest value, Rp. 2,210,464,000.00. Based on these data, it can be concluded that Magelang Tengah District has a superior turnover accumulation in two sectors, namely the trade and service sectors. However, cumulatively the largest turnover is the accumulated turnover of Magelang Selatan District with a value of Rp. 19,919,659.000.00. Figure 5 also shows that the trade sector is the MSME sector with the highest total turnover overall, while the service sector is the sector with the lowest total turnover. Thus, it can be concluded that it shows that the total turnover of Magelang City Magelang mostly comes from the trade sector.

The results of descriptive statistics regarding the performance of Magelang City Micro, Small, and Medium Enterprises in 2020 based on the sub-district area are summarized in Table 1.

**Table 1.** Descriptive Statistical Results of Monthly Turnover of Magelang City MSMEs in 2020

Districts	Minimum Value	Maximum Value	Average value	Standard Deviation
North Magelang (Rp)	50,000	120,000,000	4,020,240	6,032,272.86
Central Magelang (Rp)	30,000	1,500,000,000	4,787,505	27,273.558.07
South Magelang (Rp)	15,000	1,200,000,000	7,438,260	38,247,931.88
Magelang City (Rp)	15,000	1,500,000,000	5,415,335	28,569,475.89

Source: processed data (2021)

The minimum value component represents the lowest total turnover of MSMEs in Magelang City in 2020. The maximum value indicates the highest total turnover of all MSMEs. The average value indicates the mean value or the average amount of performance or total turnover of the entire research sample and the standard deviation value. It shows the magnitude of fluctuations in MSMEs' performance data in all Magelang City sub-districts. It is registered with the Industry and Trade Office of Magelang City.

#### 4.3. Descriptive Statistics of North Magelang District

Table 1 regarding the results of descriptive statistics on the total turnover of Magelang City Magelang shows that Magelang Utara District Magelang has a minimum performance result of Rp. 50,000. This value indicates that the lowest total monthly turnover in North Magelang District is Rp. 50,000. The maximum value of the total turnover of MSMEs obtained by the North Magelang District is Rp. 120,000,000. The highest total turnover of Rp. 120,000,000 indicates that MSMEs with the highest total turnover are classified as small businesses or an annual turnover of only Rp. 1,440,000,000 does not exceed 2.5 billion. When viewed from the average value of total turnover per month, which is Rp. 4,020,240, North Magelang District, on average, has a micro-scale business unit. Table 1 also shows that North Magelang District has the lowest average total turnover in 2020 of the three sub-districts in Magelang City. This means that the performance of MSMEs in the North Magelang District has the lowest average. In addition, the magnitude of this average value also shows that the average business unit in North Magelang District is a business unit with a micro-scale business because the annual turnover is below 300 million rupiahs ( $\text{Rp } 4,020,240.00 \times 12 \text{ months} = \text{IDR } 48,242,880.00$ ). The standard deviation value of Magelang Utara District of Magelang is IDR 6,032,272.86. The standard deviation value of Magelang's turnover in the North Magelang District shows that this value is the lowest compared to Central Magelang and South Magelang Districts.

#### 4.4. Descriptive Statistics of Central Magelang District

Table 1 shows that the minimum value for total turnover is IDR 30,000. This number is classified as very small considering that the total turnover data is the total turnover data per month. If viewed based on the maximum value, Central Magelang District has the highest total turnover in Magelang City, which is IDR 1,500,000,000. Based on this value, it can be analyzed that MSMEs with the highest total turnover in Magelang Tengah District and even the highest in Magelang City are medium-scale business units. This is because the annual turnover conversion is more than Rp. 2.5 billion and below Rp. 50 billion ( $\text{Rp. } 1,500,000,000.00 \times 12 \text{ months} = \text{Rp. } 18,000,000,000.00$ ). The average value of the performance of MSMEs in the District of Central Magelang can be seen that the average total turnover per month is Rp. 4,787,505,00. Central Magelang District is the sub-district with the second-highest total turnover value in Magelang City. This shows that MSMEs in Magelang Tengah District have the second-best average performance in Magelang City. However, the difference in this number is not too far from North Magelang District. If classified based on the business scale, in Magelang Tengah District, the business unit is included in the category of micro-enterprises with an average annual turnover of IDR 57,450,060.00 or under IDR 300 million. Based on the value of the standard deviation of total turnover per month, it can be seen that the standard deviation value is Rp. 27,273.558,07. The value of the standard deviation of Magelang's turnover in the Central Magelang District is between the standard deviation of Magelang's turnover in North Magelang and South Magelang.

#### **4.5. Descriptive Statistics of South Magelang District**

Table 1 shows that the minimum value for the total turnover of MSMEs in the South Magelang District is Rp. 15,000. This is the lowest total turnover value in the three sub-districts in Magelang City. This represents that the South Magelang District has Magelang units with the lowest performance results in Magelang City. Based on the maximum value, South Magelang District has the highest turnover value of Rp. 1,200,000,000. From table 1, it can be concluded that South Magelang District has the second-highest maximum turnover value after Central Magelang District. When converted into performance results per year, the business unit with the highest total turnover is classified as a medium-scale business unit because the total turnover per year is greater than Rp. 2.5 billion but below Rp. 50 billion (Rp. 1 billion).  $200,000,000.00 \times 12 = \text{Rp. } 14,400,000,000.00$ ). Judging from the average total turnover value, South Magelang District has an average performance value of Rp. 7,438,260.00. Based on this, it can be concluded that South Magelang District is the sub-district with the highest total turnover value in Magelang City. This condition shows that MSMEs in South Magelang District have the best average performance and significantly differ from North Magelang District and Central Magelang District. Classification based on the scale of business, MSME in South Magelang District, on average, is a micro-business unit with an annual turnover of IDR 89,259,120 or under IDR 300 million. South Magelang District has a standard deviation value of Rp. 38,247,931.88.

The descriptive statistical analysis results of Magelang City's turnover show that the lowest turnover value is Rp. 15,000, the highest turnover is Rp. 1,500,000,000, with an average turnover value of Rp. 4,076,595 in Magelang City. The value of the lowest turnover and the highest turnover value of Magelang City have a very significant difference. Likewise, the average turnover value shows a relatively low value, IDR 5,415,335 per month.

The significant difference in turnover and the lowest monthly turnover, which is relatively very low, can be triggered by the COVID-19 Pandemic conditions in 2020. The impact of the COVID-19 pandemic on the decline in performance was supported by Fassas et al. (2021); Hu & Zhang (2021), who revealed that the company's performance deteriorated and decreased profitability during the COVID-19 pandemic. This study conducted by Rahmani (2020) explained that the COVID-19 pandemic had caused a decline in financial performance. This condition is caused by social restrictions and the weakening of the economy during the pandemic, which impacts people's purchasing power. This condition ultimately reduces the company's financial performance, especially MSMEs.

#### **5. CONCLUSION**

The results and discussion of this study indicate that the City of Magelang, from an economic perspective, had a fairly stable economic condition during the last five years, from 2015 to 2019. Although the COVID-19 pandemic in 2020 caused the economy of Magelang City to be in a recession phase, the competitiveness of Magelang City in 2020 has increased compared to 2019. From the aspect of Magelang performance variability, South Magelang District has the lowest Magelang turnover value, Central Magelang District has the highest Magelang turnover value,

and South Magelang District has the highest average Magelang turnover. Higher than the average turnover of Magelang in North Magelang and Central Magelang. This study aims to provide empirical evidence regarding the performance variability of Magelang City MSMEs during the pandemic. Thus, the objectives of this study have been achieved.

The analysis results in this study provide policy implications for Magelang City MSMEs to formulate strategies for improving company performance, especially social capital-based strategies. This condition is supported by the aspect of human resources, which occupies the second position of the overall competitiveness aspect, which is the most superior in Magelang City.

Further research is expected to provide empirical evidence regarding the effect of the COVID-19 pandemic on the performance of Magelang City MSMEs and the role of social capital on the success of MSME strategies and performance

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