

FINANCIAL RESILIENCE STRATEGY AGAINST THE THREAT OF ECONOMIC RECESSION IN MSMEs IN KEC. REPLACE

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ABSTRAK:

Tujuan dari penelitian ini adalah untuk menyusun strategi ketahanan finansial bagi UMKM dalam mengatasi ancaman resesi ekonomi. Penelitian ini menggunakan analisis deskriptif dengan pendekatan kualitatif. Populasi penelitian ini adalah UMKM di Kec. Sebaliknya, sampel hasil penelitian berjumlah 4 informan dari 93 UMKM dengan jenis usaha yang berbeda. Teknik pengumpulan data melalui observasi dan wawancara. Hasil penelitian ini menunjukkan bahwa strategi ketahanan finansial memiliki peran penting dalam pengembangan ekonomi UMKM di Kec. Ganti, karena dengan strategi ketahanan keuangan yang baik dan benar dapat menjaga keuangan bisnis tetap berjalan stabil. UMKM juga diyakini memiliki ketahanan ekonomi yang tinggi sehingga dapat menjadi penopang sistem keuangan dan stabilitas ekonomi.

ABSTRACT:

The purpose of this study is to develop a financial resilience strategy for MSMEs in overcoming the threat of an economic recession. This study uses descriptive analysis with a qualitative approach. The population of this research is UMKM in Kec. Instead, the sample from the study amounted to 4 informants from 93 MSMEs with different types of businesses. Data collection techniques through observation and interviews. The results of this study indicate that the financial resilience strategy has an important role in the development of the MSME economy in Kec. Replace, because with a good and correct financial resilience strategy it can keep business finances running stable. MSMEs are also believed to have high economic resilience so that they can become a support for the financial system and economic stability.

INTRODUCTION

The threat of an economic recession will have an impact on economic stability, especially for MSME business actors. In facing the threat of an economic recession, a financial resilience strategy is needed so that business finances continue to run stably. A financial resilience strategy has an important role as the foundation for running a business. If there is no solid financial resilience strategy, business actors will easily give up when faced with existing economic problems. Indonesia is predicted to experience an economic recession in 2023. The threat faced if an economic recession occurs is the increasing poverty rate. The poverty rate is increasing due to decreased employment and income, besides that many families are forced to live in difficult economic conditions. Recessions are usually associated with deflation, or inflation in a process known as stagflation. Other factors causing the recession can be seen from a number of things, such as the imbalance between production and consumption, economic growth that has slowed down or declined for two consecutive quarters, the value of imports which is much higher than the value of exports, and the increasing number of unemployed workers.

For MSMEs, financial security is the main metric in managing their business financial cycle. Financial resilience also has significant benefits in dealing with an economic crisis. However, surviving a crisis requires the ability to plan and manage the economy well. Therefore, an appropriate financial resilience strategy is needed to deal with the threat of an economic recession, especially for business actors, so that financial system stability is maintained. One aspect of financial resilience shows the ability of business actors to maintain cash flow liquidity in facing the various risks they face.

Micro, Small and Medium Enterprises (MSMEs) are believed to play an important role as pillars that can save the Indonesian economy. SMEs play an important role in the Indonesian economy, because they have a significant contribution to the formation of gross domestic product and employment. SMEs also tend to have high financial flexibility to support the financial system and economic stability. Therefore we need to develop MSMEs to reduce poverty in Indonesia. One option that can be chosen by MSME entrepreneurs to develop is to transform from a conventional system that previously required direct physical interaction in the sales and purchasing process, into a digital system that does not require direct physical interaction to run a business.

The term "resistance" is defined in various ways. In socioecological theory, resilience is defined as a system that becomes resilient if it is able to function properly even after experiencing disturbances (Ghosh, 2021). From a business perspective, (Whitaker, 2020)resilience is described as the ability of a business to adapt to situations of economic stress and thrive in changing conditions. Resilience implies adaptability, which refers to the ability to achieve one's goals or act independently (Folke, 2010). Financial resilience is the ability of individuals to access and use internal skills and external resources that are appropriate, acceptable, available and supportive when individuals or families face financial difficulties (Salignac, 2019). Financial resilience (Klapper, 2015)means the ability of individuals or groups to cope with life events that affect income or assets. Apart from individual aspects, financial flexibility can also be understood within the framework of the national economy. Financial flexibility can be measured using several indicators, including:

- a) cash flow conditions
- b) Debt ratio
- c) Emergency fund
- d) Health and soul protection

Financial resilience is a person's ability to survive and recover from financial difficulties and disruptions over a period of time. Financial sustainability is an ongoing process that can save someone from a temporary economic downturn for a long time. When unexpected expenses arise, having the funds to take care of them means you are financially sustainable. According to (Pandin, Sandari, Surahman, & Daengs, 2023) resilience capacity includes a person's ability to face challenges in life, and each individual has a different resilience capacity, depending on his background and life experiences. This capacity can be utilized when needed. There are five main characteristics in behavior that show resilience, namely a positive attitude, focus, flexibility, order, and proactivity.

A decline in a country's gross domestic product (GDP) for two consecutive quarters characterizes a state of declining economic activity, known as an economic recession or recession. Simply put, a recession is a severe decline or slump in economic activity. Continuing The Balance's observation, a recession is said to be the beginning of a significant decline in economic activity that lasts for several months, usually more than three months. Economic growth reaches 0% or even negative during an economic downturn. This indicator is usually used to measure the progress and development of a country, because it is directly related to the ups and downs of GDP. If a country's GDP growth is negative for two consecutive quarters, the country is said to be in a recession. A recession could hit before quarterly reports are published.

There are several factors that cause an economic recession, namely:

1. Inflation
2. Asset bubble
3. Deflation
4. Production and consumption imbalance
5. Import value is greater than export
6. The unemployment rate is increasing

The impact of the recession can be divided into three categories which include:

1. Against the government: If the number of unemployed increases, the government must immediately find a solution so that people can return to meet their daily needs smoothly.
2. Against the company: If the company experiences a recession such as depletion of real resources, a decrease in the price of debt assets, or a credit crunch that results in reduced profits, it is likely that the company will go bankrupt
3. Against the workforce: If there is a layoff for the workforce, the demand to meet basic daily needs becomes a heavy burden for those who experience layoffs.

Success in business (MSMEs) requires a strategy to achieve goals in a timely manner. Strategy is a set of management decisions and actions that determine the long-term success of a business, which includes environmental monitoring, long-term planning, implementation and evaluation (Purnomo, 1996).

(Pandin, Sandari, Surahman, & Daengs, 2023), concluded that to maintain the flexibility of financial resilience, an adaptive capacity strategy is needed. In flexible situations, maintaining financial resilience means building the ability to recognize and respond to financial disruptions to their fullest extent. When the severity of financial resilience reaches a threshold, the response to the disruption involves using reserve funds such as savings accounts or selling assets. Strategic actions that can be taken when financial security is at a critical level include reviewing and withholding expenditure and adjusting the

budget. To be able to adapt, you must be able to make accurate financial projections so you can plan exactly the amount of money needed for unexpected expenses.

The MSME financial structure is defined as the composition and relationship between MSME financial components or elements. the financial structure of MSMEs can be reflected in their financial activities, including savings, investment, venture capital.

Strategies that must be planned to deal with potential economic changes:

1. Looking for more than 1 income
2. Reset expenses
3. Keep investing in a variety of safe investments
4. Set aside funds for the future

The purpose of a strategy is to facilitate the planning, implementation, and achievement of goals. It can be applied not only to achieve personal goals, but also to achieve goals in corporate and business forms.

UMKM (micro, small and medium enterprise) stands for trade, individual business, group, small business and household. As a developing country, Indonesia gave birth to MSMEs as the main sector of the people's economy. The goal is to increase the capacity of citizens to develop self-confidence, particularly in the economic field. The development of MSMEs in Indonesia is very important for predicting future economic conditions as well as maintaining and strengthening the organizational structure of the national economy. Strong government support is needed to develop MSME business actors so that they continue to grow.

There are three types of MSMEs including:

1. Culinary business is the business of selling cooking ingredients and making food.
2. The fashion business is the business of selling and manufacturing clothing, footwear, hats and accessories.
3. Businesses in the agribusiness sector include the sale of agricultural and plantation products such as the production of fertilizers, the cultivation of spices, the sale of organic vegetables and plant seeds.

Problems

1. How is the financial resilience of MSMEs in Kec. replace?
2. Can the threat of an economic recession in MSMEs be overcome by implementing a financial resilience strategy?
3. Is the business turnover generated by UMKM Kec. Replacing can increase regional income and encourage economic growth?
4. Are MSMEs in Kec. Menganti can overcome poverty and reduce unemployment in the district change?

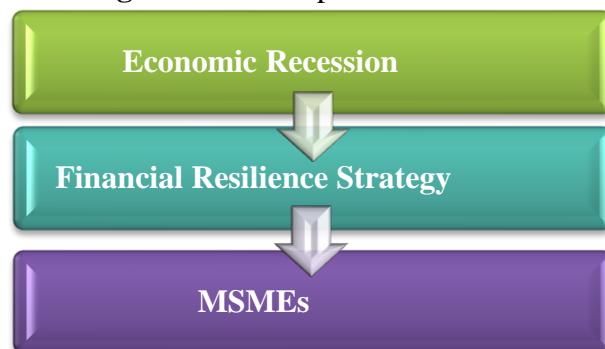
Research purposes

1. To find out the financial resilience of MSMEs in Kec. Replace
2. To find out about the threat of an economic recession in MSMEs, can it be overcome by implementing a financial resilience strategy for businesses
3. To find out the business turnover generated by MSMEs can increase regional income and encourage economic growth
4. To find out whether MSMEs in Kec. Replacing can overcome poverty and reduce unemployment

Conceptual Framework

The conceptual framework of this research is a good and correct strategy regarding financial resilience in MSMEs to economic growth which helps in overcoming the problem of the existing economic recession. In this study, it will also be explained about the linkages between financial resilience strategies and MSMEs as an effort to deal with the threat of an economic recession. Based on the analysis shown in Figure 1.1, namely:

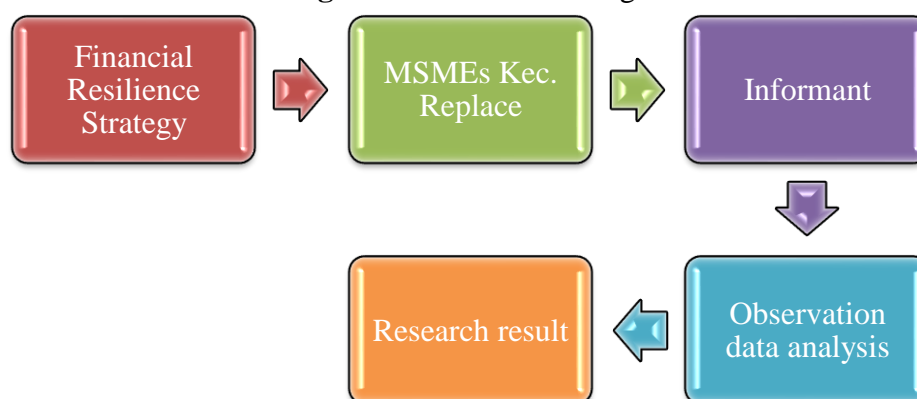
Figure 1.1 Conceptual Frameworks



RESEARCH METHODS

The research design serves as a clear and structured guideline. The research design used is as follows:

Figure 1.2 Research Design



From the research design picture it is explained if the application of the topic of the first stage of financial resilience strategy is MSMEs, the second stage requires informants as objects of observation and data sources, the third stage requires data analysis from the results of interviews and observations to find out the problems that occur, and the last one knows the results of data analysis research used to examine the problem so that it can be solved.

This research was conducted with MSMEs in Menganti District, Gresik Regency, East Java. Data collection was carried out in April 2023. SMEs in the Menganti area were chosen as research targets because researchers felt the need to know the development of MSMEs in increasing economic growth in the Kec. Replace.

This study uses a descriptive analysis method with a qualitative approach, namely the data collected is in the form of information derived from research results. Data collection techniques were carried out through interviews and observation.

The source of data needed for this research is primary data in the form of direct observation and interviews with SMEs in Kec. Changing about the financial resilience of his business.

In this study, the population is MSME actors in the Menganti District, Gresik. The sample of this research is 4 informants from 93 SMEs in Kec. Replac with a different type of business. This sampling aims to find out how the financial resilience of MSMEs in the Kec. Replac and strategies needed in overcoming financial problems.

Observation is the activity of directly observing an object, researching it by recording data related to financial security needed in this study so that a true picture is obtained. This method is used as the main method to find data based on phenomena that occur in the field. The type of observation used is non-participant observation. Non-participant observations are people whose observations do not participate in the work being observed.

Interviews are in the form of data collection activities by asking information directly to the business owner. In the interview, a question and answer process was carried out between the questioner and the resource person. Sentences used in interviews must be clear, concise, and not long-winded.

After conducting the interview, there are things that must be considered:

1. Record the results of interviews briefly, clearly and concisely
2. Combine the results of the interview by selecting the important and unimportant things.
3. Write a report on the results of the interview in good and straightforward language.
4. This interview is aimed at SMEs to obtain financial data in the MSME financial resilience strategy *in* the Menganti sub-district.

This study uses descriptive analysis with a qualitative approach. Data processing is done by describing the data in orderly, coherent, logical, non-overlapping and effective sentences to facilitate understanding and interpretation of data. In the qualitative data processing stage, there are several stages or processes such as data checking, classification, validation, analysis and drawing conclusions.

1. Data checking (Editing): This stage is a re-examination of the data that has been collected whether it is appropriate or not with what is needed. If the data you have cannot complete the required analysis results, it is necessary to complete it first.
2. Classification: The act of categorizing all data, both from field notes taken during direct observation and interviews with research subjects. This is done so that the data obtained is easy to read and understand and provides objective facts needed by researchers.
3. Verification: The process of checking information and data obtained from the field to determine the validity of the data and make it available for research. This is done to ensure that the data collected is valid and free from manipulation.
4. Analysis (Analyzing) : The process of observing the information obtained in detail so that conclusions and final results are easier to understand.
5. Conclusion: This conclusion will later inform the results of the research. To obtain conclusions from data processing, it is necessary to go through the four previous processes, namely editing, classifying, verifying, analyzing.

Qualitative data analysis techniques are a process of data analysis without involving numbers. By using qualitative data analysis techniques can understand and explain the phenomenon being studied in more detail. The stages in applying data analysis techniques include:

1. Data collection: Data collection methods are carried out through interviews, observation, and discussions with respondents (focus group discussion).

2. Reduction: At this stage, the process of selecting, simplifying, abstracting, and transforming the raw data from the collection stage is carried out so that the results remain focused on the research objectives. Reducing data is done to clarify data, sort data, and make a summary or description that includes themes in the data.
3. Presentation of data: Presentation of data is the result obtained from the stages of data collection and reduction which are arranged in a systematic and easy to understand manner. Presentation of data can be done in the form of brief descriptions, matrices, graphs, networks or charts.
4. Conclusion: The conclusion serves to make it easier for the reader to understand the important information contained therein. At this stage it is necessary to summarize the main points of the research results, link the results of the main points of the research, and conclude thoughts.

RESULTS AND ANALYSIS

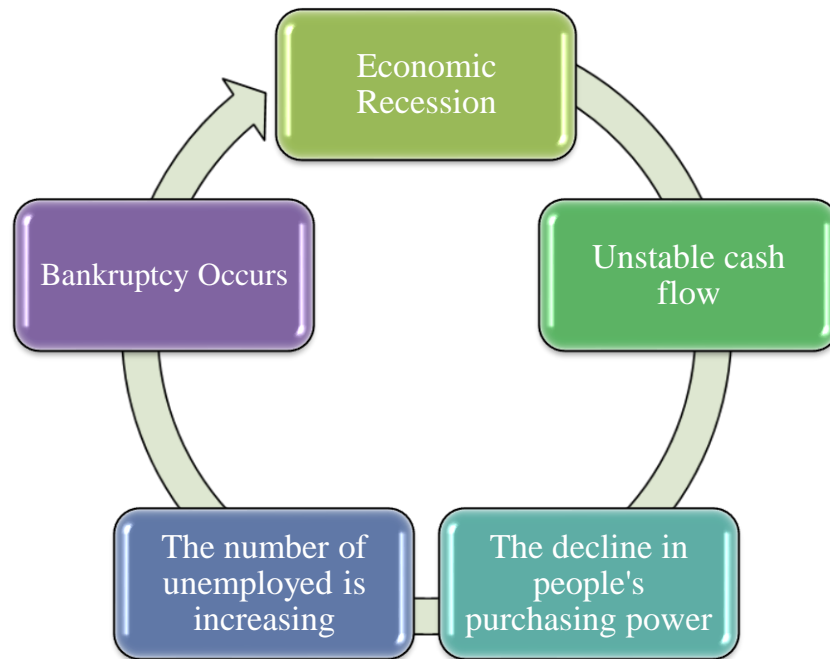
From the results of research in Kec.Memganti, it shows that there are MSME players who have experienced a decrease and an increase in income. As for the classification of MSME financial resilience in Kec. Replacing can be seen from the table below:

Table 1.1 Classification of Financial Security

MSME Financial Security	Category	MSME Sector
Very good financial security	Experiencing an increase in income	Furniture / Furniture: Requires special expertise, and many enthusiasts need it
Good financial security	Stable operating income	Building shops: Market demand for construction needs (materials) which continues to increase, and does not apply a payment system due.
Poor financial security	Experiencing a decrease in income of 1% to 50%	Laundry: Fear of taking risks so that the business cannot develop and the lack of a business marketing strategy.
Very poor financial security	Experiencing a decrease in revenue > 51%	Culinary: Many business competitors, and no sales promotion.

2023 is expected to be the third worst year for global economic growth. The main factor causing the economic recession in 2023 is due to financial market instability. The threat of an economic recession that may occur in MSMEs can be seen in Figure 1.1 below:

Figure 1. 3 The Threat of an Economic Recession



In addition, the results of research in Kec. Mengganti show that MSME actors have very diverse business turnover per month, and have quite a large workforce. The existence of a diverse MSME sector is able to reduce the unemployment rate in Kec. Replace. The turnover of MSME businesses and workers in the Kec. Replacing can be seen from table 1.2 below:

Table 1.2 Turnover and Labor Absorption in Kec. Replace

Type of business	Business Turnover	Labor
Culinary	IDR 20,000,000	6 people
laundry	IDR 15,000,000	3 people
Furniture/Furniture	IDR 45,000,000	7 People
Store building	IDR 60,000,000	10 People

Discussion

The data collected shows that on average MSMEs in Menganti District have been established for more than 5 years and are still operating. The capital used by MSMEs in the Menganti District is the majority using their own capital. MSME owners in the Menganti District generally directly lead their business units but also have several employees in each of their businesses. The classification regarding the MSME financial resilience strategy in Kec. Replacing can be seen in table 1.3.

Table 1.3 Financial Resilience Strategies

MSME Financial Resilience Capacity	Financial Resilience Development Strategy MSMEs	MSME Research Results
Resistance capacity is very stable	<ol style="list-style-type: none"> 1. Improve and maintain product quality 2. Set up an emergency fund 	<ol style="list-style-type: none"> 1. Identify consumer needs, conduct quality control for all products, and conduct reviews for product suppliers; 2. Set aside a small amount of income for savings in anticipation of experiencing the unexpected.
Stable resistance capacity	<ol style="list-style-type: none"> 1. Do market research 2. Improve service 	<ol style="list-style-type: none"> 1. Conduct surveys, study target consumers and find out innovations that consumers need; 2. Able to provide solutions to customers, and can accept criticism and suggestions.
Unstable resistance capacity	<ol style="list-style-type: none"> 1. Manage business finances well 2. Expanding business network 3. Take steps to save money 	<ol style="list-style-type: none"> 1. Make a financial plan, separate personal and business finances, and record income and expenses; 2. Increase acquaintances and relations. 3. Make a good spending budget by not behaving consumptively, and avoid going into debt for purchases
Resistance capacity is very unstable	<ol style="list-style-type: none"> 1. Product innovation 2. Promotion product 3. Business evaluation 	<ol style="list-style-type: none"> 1. Know customer needs and improve product appearance 2. Utilize social media to promote products effectively and provide attractive discounts 3. Develop marketing plans, evaluate business products and services regarding what are the obstacles to business.

From the table it is explained that in order for business financial resilience to remain stable, the right strategy is needed. The financial resilience capacity of MSMEs is classified into 4, namely: 1) the financial resilience capacity is very stable, the strategy is carried out by maintaining product quality (carrying out quality control), as well as preparing emergency funds in anticipation of experiencing unexpected things (losses, bankruptcy). 2) Stable resilience capacity, the strategy needed to keep finances stable is by conducting market research (conducting surveys), as well as improving service to customers by providing solutions and being able to accept criticism and suggestions given. 3) Unstable resilience capacity, the required resilience strategy is to minimize business expenses, and need to expand business networks to increase sales. 4) Unstable resilience capacity, the required financial resilience strategy is product innovation, product promotion, and business evaluation to find out what are the obstacles to business.

In facing the threat of economic recession, MSMEs in Kec. Menganti also implements several financial resilience strategies. If financial resilience is maintained, the financial system can run optimally to contribute to economic growth and business development. Therefore, in

facing the threat of an economic recession, MSME players need an appropriate financial resilience strategy to maintain the stability of their business financial system. To find out what strategies are applied can be seen in table 1.4.

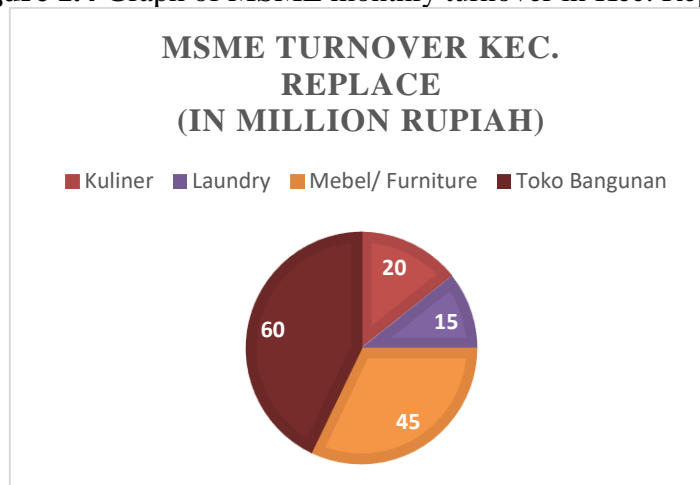
Table 1.4 Threats of Economic Recession in MSMEs

The Threat of Economic Recession in MSMEs	Financial Resilience Strategy
Unstable cash flow	<ol style="list-style-type: none"> 1. Prioritize expenses for business development 2. Compile total production expenditure to determine the selling price 3. Implementing a product bundling strategy to attract consumer interest
The decline in people's purchasing power	<ol style="list-style-type: none"> 1. Making product innovations that are currently needed and attracting consumer purchasing power 2. Give promotions at certain times
Increasing number of unemployed	<ol style="list-style-type: none"> 1. Utilize the best possible technology as a business opportunity 2. Conduct skills training needed to develop the business
Experiencing bankruptcy	<ol style="list-style-type: none"> 1. Make a new business plan that consumers are interested in 2. Cut expenses and sell assets owned

From the table it is explained that the financial resilience strategy can overcome the threat of an economic recession. There are several threats of economic recession, namely: 1) Unstable cash flow, the financial resilience strategy needed is to prioritize business expenses and compile total expenditures to determine selling prices so as not to suffer losses. 2) The decline in people's purchasing power can be overcome by making product innovations that attract consumers' purchasing power, and providing promos on product purchases. 3) The increasing number of unemployed can be overcome by utilizing technology as a business opportunity and conducting job skills training. 4) Experiencing bankruptcy, the strategy needed is to make a new business plan that is in demand by consumers and determine the target market, besides that it is necessary to save on business expenses and sell assets for business development.

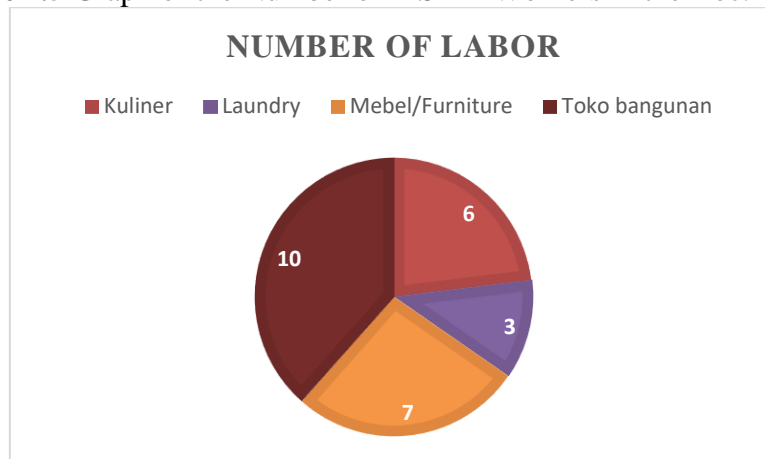
It is known that MSME turnover/income in Kec Menganti varies greatly from IDR 12,000,000 to more than IDR 50,000,000. To find out the monthly turnover of SMEs in Kec. Replacing can be seen in Figure 1.3.

Figure 1.4 Graph of MSME monthly turnover in Kec. Replace



The average income of MSMEs engaged in the culinary field is Rp. 20,000,000, the laundry business turnover is Rp. 15,000,000, the type of furniture business has a business turnover of Rp. 45,000,000, while building shops have a business turnover of Rp. 60,000,000. So, these results show that the business turnover generated by MSMEs increases regional income which results in encouraging economic growth in the Kec. Replace. Meanwhile, the workforce used by the four MSMEs in Kec. Replacing is proven to reduce the number of existing unemployed, the more MSMEs, the more labor needed. This means that MSMEs have a positive impact in overcoming poverty. The number of 4 MSME workers in the Kec. Replacing can be seen in Figure 1.4.

Figure 1.5 Graph of the Number of MSME Workers in the Kec. Replace



CONCLUSION AND SUGGESTION

The threat of an economic recession can be overcome with a financial resilience strategy for MSMEs. MSME Financial Resilience in Kec. Replacing has different capacities, namely:

1. The capacity for financial resilience is very stable, this happens because business actors always prioritize the quality of their products and businesses, and have an emergency fund.
2. Stable financial resilience, due to conducting market research as evaluation material and improving services for consumer convenience.
3. The financial resilience capacity is not stable, due to the lack of expanding business networks and poor management of business funds.
4. The capacity for financial security is very unstable, due to business actors' lack of adaptation to technological developments, lack of product innovation, and no evaluation of business operations.

Suggestion

1. The financial security strategy that must be implemented to make financial security very stable is to improve and maintain good product quality and create higher quality products.
2. In order for financial security to remain stable, market research is always needed on what consumers need and like, as well as responding to criticism and suggestions given by consumers to continue to improve business services.

3. For unstable financial resilience, the financial resilience strategy that MSMEs must carry out is by expanding the business network, always recording business expenses and income, and minimizing business expenses as much as possible.
4. If financial security is very unstable, MSME players need to promote products by utilizing technology, as well as evaluate business operations to find out what are the obstacles to business.

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