



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

MENARA THAMRIN BUILDING, 10th Floor

Jl. MH Thamrin Kav 3, Jakarta 10250, Indonesia

TELEPHONE: (+62 21) 2980 2300

FAX: (+62 21) 390 7126

office.indonesia@unido.org

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Corona virus made Small & Medium Enterprises suffer a lot

The United Nations Industrial Development Organization (UNIDO) has launched its Report Assessment, “COVID 19 – Impact Assessment on SME in Indonesia” today. The report is based on the results of an online survey, conducted between June and July among over a hundred target SMEs whose businesses have been impacted by the government’s COVID-19 containment measures. The focus consideration for assessing SME based on the reason that more than 90% of business entities in the country are categorized as SMEs and they are the core of the country’s economic growth. The report also highlights the government’s response to business insecurity, by outlining the governmental financial framework to support businesses. Finally, the assessment proposes several recommendations, based on the findings of this survey.

The result of the study show that SME have suffered the most from the COVID-19 pandemic and the containment measures with at least half of the employees have not been able to come to their workplace due to the government restrictions. These factors have lead to a decrease in business operation, due to the disruption of value chains and logistics. The shortage of cash flow is reported as the main operating problem during the pandemic, because of the inability to process and complete consumer orders. An additional challenge for SMEs is the inability to fulfill the conditions laid out in their contracted work with other businesses. The survey shows that the majority of respondents (81%) expected a year-on-year revenue loss of more than 50%, causing severe liquidity shortages and increasing the likelihood of reducing staff numbers.

This study will assist government institutions to design relevant policies to enable SMEs to benefit from existing financing schemes and stimulus to mitigate the economic impacts of COVID 19. The study showed that there must be a clear redefinition of SMEs and empower them to be more competitive with global competitors from abroad. The Indonesian government has been trying to support SMEs by providing various types of support. The results indicate that 64% of the firms consider the interest subsidy and the recap guarantee relief programmes as the most effective form of governmental support.

In light of the financial difficulties that SMEs face, the respondents fear that businesses will be closed down within six months, as cash flow issues constrain their operations. In contrast to this group of respondents, a minority of technologically advanced SMEs claimed that their businesses may survive a possible year-long restriction period. Moreover, many SMEs displayed their agility by shifting out of their core products to produce goods that are in demand in the context of the pandemic. The survey also highlights the importance of tailoring policies aimed at mitigating the impact of the pandemic by building a resilient and competitive industrial base.

“There are set of relevant policies that can be drafted based on the findings of the survey, to help industries and SMEs to overcome the impacts of COVID 19. The Industry 4.0 can also enhance the SME supply chain, business performance, improve digital enterprise, opens new manufacturing, technological career opportunities and integrates the human capacity in the digital world too. Therefore, it is important for UNIDO playing the role to assist Government of Indonesia in implementing Making Indonesia 4.0” said Mr. Esam Alqararah as the UNIDO Representative for Indonesia and Timor Leste during the launch of their report.

Information About UNIDO (United Nations of Industrial Development Organizations)

UNIDO is the specialized agency of the UN that promotes inclusive industrial development. Within UNIDO’s mandate to foster economically efficient, ecologically friendly and socially desirable patterns of industrial development across developing countries, the UNIDO development cooperation programme in Indonesia covers four thematic priorities: poverty reduction, energy for all, environment & clean production and partnership and sustainable development. The programmatic intervention of UNIDO in the context of Indonesia’s development priorities aims at creating an enabling environment to bring about necessary changes required as well as ensure a holistic approach in the implementation of technical programmes. Our approach is inline with the Government of Indonesia vision that highlighted strategic development goals in order to build and consolidate international development partnership in the pursuit of promoting Indonesia’s visibility as an emerging economy.