Resistance of Micro Small Medium Enterprises (MSMEs) Probolinggo City in the Era of the Covid-19 Pandemic

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A R T I C L E   I N F O

A B S T R A C T

The research was conducted on MSME actors in Probolinggo City with the aim of knowing the factors that support their business resistance and helping provide input for solving what was experienced during the Covid-19 pandemic. This research uses quantitative associative analysis method with product quality, digital marketing as the independent variable and brand equity, income as the dependent variable. The sampling technique used a purposive sample with a total sample of 99 SMEs in Probolinggo City which came from the calculation of the slovin formula with of 10%. The results of the study indicate that there is a positive and partially significant effect for product quality and digital marketing variables on brand equity and income. Research also shows a relationship between brand equity and income variables. The correlation test shows that there is a relationship between brand equity and income, the higher the brand equity, the higher the income and vice versa. This result is an effort by researchers to provide input to MSME actors to survive and increase their income in the era of the COVID-19 pandemic by improving product quality and switching to digital sales.

Keywords: Resistance, MSMEs, Covid-19 Pandemic

INTRODUCTION

Covid-19 is one of the new outbreaks in the world, Indonesia is no exception (Sulistyan, 2020). There are many consequences of this epidemic. One of them is the increasing number of unemployed in Indonesia which has an effect on decreasing real income (Sulistyan & Pramita, 2021). This causes the level of consumptiveness of the Indonesian people to decline, and the economy to experience sluggishness.

Indonesia experienced an economic downturn in the second and third quarters at the start of the Covid-19 pandemic. The business sector that is most vulnerable to a decline in income is the micro,

small and medium business sector (cnnindonesia.com, 2020). Small, Micro, Medium Enterprises (MSMEs) are one of the businesses that dominate the Indonesian economy. The data according to the Probolinggo City DKUPP (Department of Cooperatives, Micro Enterprises, Trade, and Industry) in 2019 and 2020 are as follows:

Table 1. Probolinggo City MSME Data 2019 and 2020

No	Scale	Year	
		2019	2020
1	Micro	6.035	19.253
2	Small	127	127
3	Medium	36	36
	Total	6.198	19.416

Source: Probolinggo City DKUPP, 2021

There was a very significant increase in the number of MSMEs in Probolinggo City in 2020 compared to the number of MSMEs in 2019. The increase was due to the impact of the pandemic which caused people to have to stay alive when many people lost their jobs. Therefore, people prefer to establish MSMEs where the capital used is relatively small. To attract buyers, entrepreneurs must be creative, so that the products they sell can be competitive and sustainable in the long term and not only that, managing their products can increase the income received by MSMEs. The important thing that must be considered by MSME actors is digital development. By expanding the marketing area that can be reached by e-commerce, it will increase sales which will lead to increased revenue. This is in line with previous research conducted by Gustina, Novita & Triadi (2022), that E-Commerce has a significant effect on increasing the income of Micro, Small and Medium Enterprises in the City of Padang. The limitation of this previous research is that it only uses e-commerce and income variables, so that in this study there is a difference, namely the addition of independent variables of product quality and dependent brand equity and the influence of the two dependent variables is examined. This research is important to do to get wider results so that it can add input to increase income for MSME actors in Probolinggo City. On the basis of this background, this study analyzes the effect of product quality, digital marketing partially on brand equity and income of MSMEs in Probolinggo City in the Covid-19 pandemic era and there are still not many studies on how the relationship between brand equity and income is, so this is added to this research.

In a product, the quality aspect must be considered because the quality of the product has its own charm and characteristics to be able to attract consumers or customers in fulfilling their wants and needs. "Product quality is one of the main means of action for marketers and has a direct impact on product performance as it is closely related to value and buyer satisfaction." (Firmansyah, 2019: 13). Online marketing (digital marketing) is our form of business in marketing or introducing our brand or product through the internet (Sidiq, 2019). Meanwhile, according to Sudaryo (2020). "Digital marketing is all marketing efforts using the internet and digital media so that entities can communicate with potential buyers."

Brand equity is a strength or added value from business actors, who already have a patent brand and can differentiate from other competitors so that customers will always remember and always trust the company's brand. Firmansyah (2019), "Brand Equity (the strength of a brand) is a very clear and valuable and sustainable differentiator from other products. Brand equity is the spearhead of the entity that really shapes the entity in carrying out its marketing strategy".

Revenue is the result of the sale of each product sold from the company, and can also be interpreted from the profits received by the company from its activities. "Income in economics is defined as the result in the form of money or other material things achieved from the use of wealth or free human services" (Samuelson & Nordhaus in Hanum, 2017).

The hypothesis of this research which according to Sugiyono (2016: 63) is a temporary answer to the problem formulation set out in the study, there are 3, namely: H1 = partially there is an effect of

product quality and digital marketing variables on MSME brand equity during the Covid-19 Pandemic in Probolinggo City . H2 = partially there is an effect of product quality and digital marketing on MSME income during the Covid-19 Pandemic in Probolinggo City. H3 = there is a correlation or relationship between brand equity and MSME income during the Covid-19 Pandemic in Probolinggo City.

METHOD

The method in this research is quantitative with associative analysis. The independent variables used are product quality and digital marketing, while the dependent variables are brand equity and income. Variable measurements in the operational definition of product quality in this study are performance, additional features, reliability, conformance to specifications, durability and aesthetics. While the measurement of variables in digital marketing is the product, where to sell the product, how to receive orders, payments, delivery methods and customer service. For the brand equity variable, the measurement variables are brand awareness, quality impression, brand association and brand loyalty. Measurement of income variable is profit, sourced from sales activities, ability to repay services and maximum profit. The population is 19,416 SMEs in the city of Probolinggo. The sampling technique used a purposive sample to obtain a sample of 99 MSMEs in Probolinggo City which came from the calculation of the slovin formula with of 10%. Collecting data using a questionnaire with Likert scale measurements to test the validity and reliability.

The analysis in this study is multiple regression analysis with the model $Y_1 = a+b_1X_1+b_2X_2+e$ and $Y_2 = a+b_1X_1+b_2X_2+e$ where Y_1 = Brand Equity, Y_2 = MSME Income, X_1 = Product Quality, X_2 = Digital Marketing, b_1 = Product Quality Coefficient, b_2 = Digital Marketing Coefficient, a = Constant, e = Error with data processing using SPSS 22 program. The test begins with a test of the validity of the data sample and the reliability that has been determined based on the slovin formula from the established population of MSMEs. Followed by the classical assumption test consisting of several tests and continued with the hypothesis test, namely the f test and t test. The next step is to test the coefficient of determination and correlation test so that the suitability of the method, reliability and validity of the results can be evaluated.

RESULTS AND DISCUSSION

The results of the data validity test show that all variables (X_1, X_2, Y_1, Y_2) have an r arithmetic that is greater than rtable of 0.166 so that all concepts of measuring variables are valid. While the reliability test of all variables from Cronbach's alpha > 0.60 means that the questions from each variable are entirely reliable. The results of normality testing of the dependent variable of brand equity by looking at Kolmogorov Smirnov's One Sample table show that Asymp. Sig. (2-tailed) shows the number 0.139, which means it is greater than 0.10, then the data is normally distributed. While the results of the normality test of the income dependent variable with the One Sample Kolmogorov Smirnov show that Asymp. Sig. (2-tailed) shows the number 0.200 which means it is greater than 0.10 or 0.200 > 0.10 so that the data is also normally distributed. (Source of primary data processed by SPSS 22).

In the multicollinearity test, the value of Variance Inflation Factor (VIF) for product quality and digital marketing variables is 1,300, respectively, with tolerance (α) and Variance Inflation Factor (VIF). Alpha or tolerance 0.10 or 10% means that the VIF of the two variables = 1.300 < VIF 10 means that there is no multicollinearity between independent variables. Meanwhile, all tolerances for independent variables (product quality = 0.769 or 76.9% and digital marketing = 0.769 or 76.9%) are above 10% or > 10%, meaning that there is no multicollinearity between independent variables. The test results from Heteroscedasticity obtained that the point is spread and not patterned, meaning that there is no heteroscedasticity in the independent variables.

The results of the linearity test of product quality variables and brand equity variables obtained that the sig Deviation from Linearity value was $0.555 > 0.10$, the digital marketing variable and the brand equity variable sig Deviation from Linearity value was $0.488 > 0.10$ and the relationship between product quality variables and income variables was value sig Deviation from Linearity of $0.211 > 0.10$ where the three tests are greater than 0.10 meaning that the relationship between the three is linear. Meanwhile, for the digital marketing variable and the income variable, the sig Deviation from Linearity value is $0.049 < 0.10$, meaning there is no linear relationship.

The results of the multiple linear regression analysis with the equation $Y_1 = a + b_1X_1 + b_2X_2 + e$, namely $Y_1 = 7.177 + 0.430X_1 + 0.119X_2 + 2.714$ indicate that if there are no product quality and digital marketing variables, a brand equity of 7.177 will be obtained. For product quality, the regression coefficient $b1 = 0.430$ states that the perception of product quality is getting better and the addition of a product quality unit will affect the level of brand equity. Regression coefficient $b2$ (digital marketing) $= 0.119$ which states that if the perception of digital marketing is getting better and there is an additional digital marketing unit it will affect the level of brand equity. While the test results with the equation $Y_2 = a + b_1X_1 + b_2X_2 + e$, namely $Y_2 = 19.736 + 0.185X_1 + 0.109X_2 + 3.955$, if the product quality and digital marketing variables do not exist, a revenue value of 19.738 will be obtained. For product quality as a regression coefficient b_1 (product quality) $= 0.185$ which states if the perception of product quality is getting better and there is an additional unit of product quality that will affect the level of income. Regression coefficient b_2 (digital marketing) $= 0.109$ which states that if the perception of digital marketing is getting better and there is an additional digital marketing unit it will affect the level of income.

The analysis of determination shows that R Square is calculated by $0.544 \times 100\% = 54.4\%$, which means that 54.4% brand equity is influenced by product quality and digital marketing. subsequent analysis of determination shows that R Square is calculated by $0.139 \times 100\% = 13.9\%$ which means that 13.9% income is influenced by product quality and digital marketing.

The results of hypothesis testing with t test for partially significant effect are as follows:

Table 2. t test results

Model	t	sig	Infomation
Constant	2,644	0,010	
Product Quality-> Brand Equity	7,782	0,000	Significant
Digital Marketing -> Brand Equity	2,711	0,008	Significant

Source: Data Processed 2021

The result of tcount Product Quality (X_1) is $= 7.782$ and t_{table} is $= 1.660$ if $t_{count} > $ ttable with sig smaller than $(0.000 < 0.10)$, namely the rejection of Ho and acceptance of Ha so that between Product Quality (X_1) and Brand Equity (Y_1) partial effect. While the results of t_{count} Digital Marketing (X_2) of $= 2.711$ and t_{table} of $= 1.660$ if $t_{count} > $ ttable with sig smaller than $(0.008 < 0.10)$ then there is a rejection of Ho and acceptance of Ha which means between Digital Marketing (X_2) against Brand Equity (Y_1) has a partial effect.

Table 3. t test results

Model	t	sig	Infomation
Constant	2,644	0,010	
Product Quality-> Income	7,782	0,000	Significant
Digital Marketing -> Income	2,711	0,008	Significant

Source: Data Processed 2021

The results of the tcount Product Quality (X_1) test of $= 2.301$ and t_{table} of $= 1.660$ if $t_{count} > t_{table}$ with sig less than $(0.024 < 0.10)$, it means that there is a rejection of Ho and acceptance of Ha so that between Product Quality (X_1) and income (Y_2) has a partial effect.

The results of the correlation test (r test) in this study are:

Table 4. Correlation Test

	Brand Equity	Income
Brand Equity		
Pearson Correlation	1	0,520
Sig		0,000
Income		
Pearson Correlation	0,520	1
Sig	0,000	

Source: Data Processed 2021

Variable brand equity (Y_1) and income (Y_2) with a value of Sig. (2-tailed) of $0.000 < 0.10$ so that Ho is rejected, the relationship that occurs is positive (positive correlation value) so that higher brand equity causes an increase in income and vice versa. Hypothesis testing with the t_{test} of the digital marketing variable has a partial effect on brand equity, this research is supported by previous research conducted by Anggrahini (2019), the value for the social media marketing variable (X_1) is significant 0.000 less than 0.05 (significant social media marketing = $0.000 < 0.05$), this means that there is a partial influence of social media marketing variables on brand equity. Test the hypothesis with the t_{test} of the digital marketing variable that has a partial effect on income. This research is supported by previous research conducted by Helmalia (2018), the value for the e-commerce variable has a partial relationship to the income variable with a value of $t_{count} > t_{table}$ ($4,050 > 2,009$). Digital marketing indicators have a huge impact on revenue.

CONCLUSION

The conclusion of the hypothesis testing results in the study is that partially product quality and digital marketing affect brand equity and MSME income during the Covid-19 pandemic in Probolinggo City. The brand equity variable is related to the income of MSMEs during the Covid-19 pandemic in Probolinggo City, as evidenced by a significant value of $0.000 < 0.10$, then the two variables are interrelated. The limitation of this study is that it only uses two independent variables, for further researchers can add other variables so that the research results can be more varied and provide other inputs to support the efforts of MSME actors. To increase income, MSME actors should further improve product quality and use the role of social media (marketplace) as a means of selling so that with increasingly rapid technological developments, MSMEs can continue to grow.

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