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The role of the guarantee industry in strengthening MSMEs in indonesia during pandemic Covid 19

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ABSTRACT

Credit guarantees carried out by banks with the Credit Guarantee Agency in this case are the Indonesian Credit Guarantee Corporation (PT Jamkrindo) and PT (Persero) Indonesian Credit Insurance (PT Askrindo) such as a guarantee mechanism so that if there is a transfer of bad credit risk. This study aims to identify the role of guarantor institutions in strengthening MSMEs in Indonesia during the COVID-19 Pandemic. This study uses qualitative methods, and the data analysis technique used is content analysis. the study of content with reference to the meaning, context, and intent contained in the message. Results Based on the research, it appears that credit guarantees for MSMEs from guarantee institutions encourage the effectiveness of credit guarantees. The role of guarantee institutions for MSMEs in credit guarantees can be more effective if the institutions carry out the development of business partners and implement the integration or digitization of IT systems. During the pandemic, Jamkrindo contributed to the Working Capital Credit Guarantee (KMK) program in the National Economic Recovery (PEN) and mentoring MSMEs.



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Introduction

The COVID-19 pandemic has had an impact on Micro, Small, and Medium Enterprises (MSME)'s capital. According to a 2020 Central Statistics Agency survey, around 69.02 percent of MSMEs experienced capital difficulties during the Covid-19 pandemic. Meanwhile, according to the Complaint Report to the Indonesian Ministry of Ministry of Cooperatives and SMEs of October 2020, as many as 39.22 percent of MSMEs experienced capital constraints during the Covid-19 pandemic.

During the pandemic, business actors experience an impact on central operations. Based on a survey conducted by Indonesian Central Statistics Agency (BPS) at the end of 2020, which involved 34,559 respondents with 80 percent of small business actors (UMK) and 20 percent of large medium enterprises (UMB), the impact or impact of the COVID-19 pandemic on small business operations shows that 50 % have been operating normally, 24% were forced to reduce capacity, 8.8% stopped, and 7.5% Work from Home/ WfH.

According to data from the Indonesian Central Statistics Agency (BPS), the MSME sector utilizes around 60 percent of gross domestic product (GDP). However, when viewed from banking data, MSME loans only cover around Rp. 1,000 trillion or 20 percent of total bank credit. Based on data from the Indonesian Ministry of Cooperatives and SMEs in 2019 which was processed from the Central Statistics Agency (BPS), there were 64.6 million micro-enterprises, utilizing a GDP of Rp. 5,913 trillion. This is equivalent to 37 percent of GDP in

2019. While medium-sized enterprises only collect 66,000 units and a lead of 14 percent of GDP. The number of small businesses is more, namely 783,000 units, comprising 9 percent of GDP.

These data show that capital assistance for MSMEs is important. Therefore, the government provides support for MSMEs in terms of capital through a credit restructuring program. As of July 31, 2021, it was recorded that more than 3.59 million MSMEs had utilized this program with a value of IDR 285.17 trillion.

To increase the role of MSME loans in the banking loan portfolio, what must be built is a business ecosystem so that economic activities in the medium-large sector and micro and small businesses can grow healthily. Micro and small enterprises must be made creditworthy. In this case, the government has tried to help with funding and guarantees.

Previous research has shown that the credit guarantee system effectively protects the economy and many MSMEs enjoy the benefits of the credit guarantee system (Yamori, 2015). Therefore, most MSMEs support not a reduction in the credit guarantee system but further improvements the government must of course develop policies to ensure that the credit guarantee industry is properly guided and supervised (Li & Lin, 2017).

In Indonesia, the government implements the Working Capital Credit (KMK) with PEN guarantee program in pandemic Covid 19. The National Economic Recovery Program (PEN) is one of a series of activities to reduce the impact of Covid-19 on the economy. It is hoped that banking players will not hesitate to channel special loans to MSMEs because the government provides KMK PEN guarantees. Thus, MSME business actors who are still able to develop business potential will get a source of capital from banks.

In supporting the government's efforts to assist in funding and guaranteeing MSMEs, the role of banks and other financial institutions is needed. The credit guarantee system is a system for small and medium-sized companies and small businesses (Yamori, 2015). Good performance banking practices include providing credit with bank funds, there is sufficient collateral, the debtor's business is running well, and customer debt is being paid smoothly. Sufficient collateral can be obtained from fixed assets or business assets run by the debtor (eg inventory) or there is a guarantee from another party or called a guarantor institution.

Guarantee Institutions can bridge MSMEs, through a credit guarantee system to banks/financial institutions, especially MSMEs that are feasible but not yet bankable. This means that the limited capital owned by MSMEs is due to difficulties in accessing financing sources, because they are unable to provide collateral. This Credit Guarantee Company functions to guarantee the fulfillment of the financial obligations of MSMEs as recipients of credit from banks/financial institutions (Arifin et al., 2022).

With the existence of the Credit Guarantee Institution, banks are expected to be able to carry out lending to MSMEs in a healthy manner, considering that the only obstacle is the unavailability of adequate collateral. The existence of cooperation with the Credit Guarantee Agency, the bank can minimize if the loan repayment by the debtor cannot be carried out in accordance with what has been agreed.

The credit guarantee carried out by the bank with the Credit Guarantee Agency in this case is the Indonesian Credit Guarantee Public Company (PT Jamkrindo) and PT (Persero) Indonesian Credit Insurance (PT Askkrindo) such as an insurance mechanism, so that if there is a bad credit risk transfer occurs. The credit guarantee program for MSMEs is an effort to increase MSME financing access to sources of financing that are supported by guarantee facilities paid off.

Based on this background, this study aims to identify the role of guarantor institutions in strengthening MSMEs in Indonesia during the Covid 19 Pandemic. This study is expected to provide input in the form of managerial recommendations for Jamkrindo, and can have implications as a reference for practitioners in the insurance industry as well as cross-university academics in Indonesia. throughout Indonesia.

Method

Qualitative approach is used in this research. The data analysis technique applied is content analysis. The study of content with reference to the meaning, context, and intentions contained in messages However, to allow replication, the technique can only be applied to data of a durable nature (Prasad, 1994). Devi parade. However, to allow replication, this technique can only be applied to data that is durable (Stemler, 2001).

Content analysis can be a powerful tool for determining authorship. For example, by linking the frequency of nouns or function words to help build a case for each person's possible authorship of the data of interest. Content analysis is also useful for examining trends and patterns in documents. Typically, three types of units are used in content analysis: sampling units, context units, and recording units (Shannon, 2014).

The sampling unit will vary depending on how the researcher makes meaning; can be words, sentences, or paragraphs. Content analysis stems from communication research and has the potential to become one of the most important research techniques in the social sciences. It seeks to analyze data in specific contexts in view of the meanings a person - group or culture - attributes to them (Krippendorff, 1989).

There are two stages of content analysis: conceptual analysis and relational analysis. Conceptual analysis is largely what is described above: content is coded for a particular word, concept, or theme, and the analyst makes inferences based on emerging patterns. Relational analysis builds on conceptual analysis by investigating the relationships between concepts and themes that emerge from the analyzed text (Prasad, 1994). In this study, two stages were used, namely conceptual analysis and relational analysis.

Results and Discussions

In this study, the documents analyzed were 6 scientific articles from journals related to the role of the guarantee industry in MSMEs (Table 1). In addition, content analysis is strengthened by documents in the form of digital news from several website pages.

Table 1. Articles Related to the Role of the Guarantee Industry in MSMEs

Title	Author (s)	Journal	Year	Research Results	Key Themes
SWOT Analysis on Credit Guarantee Business Sector in Indonesia: A Study from Jamkrindo	Vindaniar Y. Putri, Dhea S. Tasya, and Ajeng Rahayu	Journal of Economics, Business, and Management Volume 8 Number 3	2020	Marketing by mapping regional and branch potentials, improving service quality to partners, and integrating information technology (IT) system	Business partner development and IT system integration
Reformulation of Business Strategy to Increase Credit Guarantee in PT Jamkrinda Bali Mandara	Putra I Ketut Indra Satya Dharma, Setiawan Putu Yudi	RJOAS Volume 8	2019	Market Development, Product Development, Automated business processes using information and Technology, and Business Partner Development.	Business partner development and IT system integration
The Influences of Regional Credit Guarantee (Jamkrinda), Working Capital, and Government's Role on Micro, Small and Medium Enterprises (MSMEs) Welfare in Denpasar City	Ni G.A.N. Adyani Utari, Made Kembar Sri Budhi	RJOAS Volume 7	2019	Regional credit guarantees, working capital and the role of the government have a significant effect on the income of MSMEs in Denpasar City.	Credit Guarantee, especially for MSMEs from a guarantor institution, is running effectively
Analysis of the Effectiveness of People's Business Credit Guarantee at Perum Jamkrindo Manado Branch Office	Timoty Erlan Kenny Umboh, Grace B. Nangoi, Heince R.N Wokas	Jurnal Riset Akuntansi Volume 13 Number 2	2018	Credit Guarantee Effectiveness Criteria in Manado have been running Effectively with Effectiveness criteria in 2015 of 94.02% then in 2016 reaching 95.87% and in 2017 reaching 93.93%	Credit Guarantee, especially for MSMEs from a guarantor institution, is running effectively

Title	Author (s)	Journal	Year	Research Results	Key Themes
The Role of Guarantee Companies in Overcoming MSME Problems Accessing Credit in the Sector	Luh Putu Prema Shanti Putri Saraswati	Jurnal Hukum dan Pembangunan Volume 51 Number 2	2021	The presence of credit guarantee companies assists banks in channeling credit to business actors with the existence of credit guarantee cooperation by guarantee institutions. So that the existence of a credit guarantee company has a very important role in empowering micro, small and medium enterprises.	Credit Guarantee, especially for MSMEs from a guarantor institution, is running effectively
Credit Guarantee Agreement Between MSMEs and Guarantee Institutions Based on Law Number 1 Year 2016 Concerning Guarantee	Sulasi Rongiyati	Jurnal Negara Hukum Volume 7 Number 1	2016	The results of the analysis reveal that Law no. 1 of 2016 concerning Guarantees seeks to provide convenience and protection for MSMEs to obtain credit guarantees, without neglecting the protection of the guarantor and the guarantee recipient. UU no. 1 of 2016 concerning Guarantees regulates dispute resolution mechanisms in two ways, namely litigation and non-litigation by prioritizing dispute resolution through consensus deliberation in accordance with the characteristics of MSMEs that have limited funds, time, and human resources.	Credit Guarantee, especially for MSMEs from a guarantor institution, is running effectively

Based on the conceptual analysis of the document content in Table 1, two key themes can be verified. The key themes are: 1) Business partner development and IT system integration (Dharma & Yudi, 2019; Putri et al., 2020); 2) Credit Guarantee, especially for MSMEs from a guarantor institution, is running effectively (Rongiyati, 2016; Saraswati, 2021; Umboh et al., 2018; Utari & Budhi, 2019)

Based on these key themes, a relational analysis was carried out, to find the relation of the key themes. The relationship between the two key themes shows that credit guarantees for MSMEs from guarantee institutions encourage the effectiveness of credit guarantees. The role of the guarantor institution in MSMEs in credit

guarantee can be more effective if the development of business partners from the guarantee institution is carried out and implements IT system integration or digitalization.

This study takes a case study at PT Jamkrindo. PT Credit Guarantee Indonesia (Jamkrindo) is a continuation of Perum Sarana for Business Development (Perum Sarana) which was established under PP. 95 of 2000 to replace and continue the duties and authorities of the Cooperative Financial Development Corporation (Perum PKK) as established by the Government based on Government Regulation No. 51 of 1981 and subsequently through Government Regulation No. 27 of 1985. The main business activity carried out by Perum Sarana is to provide credit guarantees to assist Micro, Small, Medium Enterprises, and Cooperatives in accessing financing sources, both from banking and non-banking..

On 19 May 2008, Government Regulation (PP) Number 41 Year 2008 was issued by the President of the Republic of Indonesia, the Public Company (Perum) Sarana for Business Development was continued to be established and continued its business, and changed its name to Public Company (PT) Indonesia Credit Guarantee, abbreviated as became PT Jamkrindo.

This change is to focus more on PT Jamkrindo's business activities on the credit guarantee sector for the development of MSMEs so that they are able to participate effectively in supporting a strong, healthy, and efficient national economic structure which is one of the national development policies.

The role of PT Jamkrindo as a guarantor is carried out by paying a number of MSME obligations to creditors and then fulfilling these obligations into PT JAMKRINDO's subrogation receivables to MSMEs which will be billed back, either jointly between creditors and PT JAMKRINDO or independently. The guarantees provided by PT Jamkrindo include that is Commercial Credit Guarantee, Multi-Use Credit Guarantee, Agribusiness Credit Guarantee, Microcredit Guarantee, Construction Loan Guarantee, BPR Credit Guarantee, Distribution Credit Guarantee, Sharia Financing Guarantee and Counter Guarantee Guarantee.

Guarantees provided by Jamkrindo to small and medium business cooperatives with funding sources from banks. The principle of guarantee at the Credit Guarantee Institution is a complement to a credit agreement. Thus, credit guarantees are only provided upon request, both from creditors and debtors. Credit guarantees are provided if the debtor has no collateral or the collateral is insufficient.

Based on the content analysis, there is a relationship between the two key themes, indicating that credit guarantees for MSMEs from guarantee institutions encourage the effectiveness of credit guarantees. The role of the guarantor institution in MSMEs in credit guarantees can be more effective if the development of business partners from the guarantee institution is carried out and implements IT system integration or digitalization.

Regulation on the guarantee industry is regulated by Law Number 1 of 2016 concerning Guarantees, the provision of bank credit to micro, small and medium enterprises can be guaranteed by the Credit Guarantee Institution. The regulation regulates the function of the Credit Guarantee Agency in providing bank loans to MSMEs.

Another regulation is Presidential Regulation Number 2 of 2008 concerning Guarantee Institutions. This regulation stipulates that what is meant by guarantee is the activity of providing guarantees for the fulfillment of the financial obligations of the recipient of credit or financing based on sharia principles..

The credit guarantee system is a system for small and medium enterprises and small businesses (Yamori, 2015). In other words, the function of a credit guarantee institution is to provide guarantee services to make it easier to get credit for MSMEs to make it easier to get bank credit while at the same time providing certainty in returning credit loans to banks. (Yunitawati, 2016).

The guarantee is needed by MSMEs because of the inadequacy of the collateral required by the banking sector. Thus, the guarantee serves as collateral reinforcement in protecting creditors from the risk of bad credit (Saraswati, 2018), considering that one of the weaknesses of MSMEs is the absence of material collateral objects as additional collateral. Basically, credit guarantee is one of the solutions needed by MSMEs to obtain credit facilities from banks. In essence, credit guarantees are needed as a fulfillment of technical bank requirements for MSMEs that have businesses and have good prospects, but do not have enough guarantees so that technically they do not meet credit requirements from banks (Yunitawati, 2016).

A previous research proves that macro factors, economic cycles and government involvement, carry two-fold as micro factors in determining the competence or ability of a company's credit guarantee performance. A healthy underwriting industry cannot be isolated from the wider economy, but corporate underwriting may take risks to the economic cycle (Li & Lin, 2017).

The government is making efforts to reduce the impact of the Covid 19 pandemic with related policies. One of them is Law Number 11 of 2020 concerning Job Creation. It is stated in the Ciptaker Law that for Micro and Small Businesses, financing can be received from the central government, regional governments, State-Owned Enterprises (BUMN), as well as national and foreign Large Enterprises. The financing can be in the form of loans, guarantees, grants, and other financing.

The government is also implementing the National Economic Recovery Program (PEN). Jamkrindo is trusted to contribute to the national economic recovery program as a guarantor of the PEN working capital credit (KMK) distributed by banks to MSME actors. The existence of this KMK PEN program is clear evidence of government support to protect, maintain, and improve the economic capacity of business actors in running their business. As of October 2021, PT Jamkrindo together with its subsidiary PT Penjaminan Jamkrindo Syariah (Jamsyar), has recorded a KMK PEN guarantee volume of Rp 23.32 trillion, with details of PT Jamkrindo worth Rp 15.94 trillion and PT Jamsyar worth Rp 7.38 trillion. with the number of guaranteed debtors as much as 1,470,485 MSMEs (Jamkrindo, 2021a).

Meanwhile, for non-program guarantees, the guarantee products are general credit guarantees, micro credit guarantees, construction credit guarantees and goods/services procurement, goods distribution guarantees. Then surety bonds, customs bonds, cargo agency guarantees, supply chain financing guarantees (invoice financing), and guarantees for fintech institutions. PT Jamkrindo is also a member of the holding Indonesia Financial Group (IFG). In addition to contributing to the KMK PEN Guarantee program, Jamkrindo also organizes various programs and assistance for MSMEs, including also distributing micro and small business funding programs (PUKM) which have the aim of increasing the ability of MSME actors to become strong and independent and can provide a multiplier effect for the community improvement of community welfare (Jamkrindo, 2021b).

Conclusions

Based on the research results, it shows that credit guarantees for MSMEs from guarantee institutions encourage the effectiveness of credit guarantees. The role of the guarantee institution for MSMEs in credit guarantees can be more effective if the development of business partners from the guarantee institution is carried out and implements the integration or digitization of IT systems.

During the pandemic, Jamkrindo contributed to the Working Capital Credit Guarantee (KMK) program in the National Economic Recovery (PEN). In addition, Jamkrindo also organizes various programs and assistance for MSMEs, including distributing micro and small business funding programs (PUKM) which have the aim of increasing the ability of MSME actors to become strong and independent and can provide a multiplier effect for improving people's welfare.

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