Impact of Tourism Decrease Due To Pandemic on the Performance and Sustainability of MSMEs in Denpasar City

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ABSTRACT: The COVID-19 pandemic is a global pandemic that affects all aspects of world society. Indonesia as a tourism destination has been significantly affected by this pandemic. The number of tourist visits to Bali has decreased quite drastically and has an impact on MSMEs. The main objectives of our study are to analyze the influence or impact of tourism decline due to covid-19 on the performance and sustainability of MSMEs in Denpasar City. The research sample was 100 MSMEs with the method of determining the sample, namely simple random sampling. Structural equation model based on partial least square is used to analyze data. The results showed that there was a significant influence between the decline in tourism on the performance and sustainability of MSMEs in Denpasar City. The implication of the results of this study is that MSME actors cannot avoid the impact of the decline in tourism. However, MSMEs must continue to strive to improve their performance and maintain their sustainability. For this reason, government attention and policies are needed for the affected MSME sector.

INTRODUCTION

The tourism sector is one of the sectors that has an important role in the process of development in a country. A developed and established tourism industry serves as a catalyst for national and regional development, helps set foreign exchange rates, creates more job opportunities, and contributes to social development that will benefit local people and tourists (Puah et al., 2018). From the point of view of the national economy, the tourism sector is seen as a buffer for the non-oil and gas sector, with priority activities directed at being the mainstay sector in foreign exchange earnings, encouraging development and regional income as well as improving people's welfare, namely in contributing to the income of the community around tourism objects. With the presence of tourism, the community economy will grow, such as the availability of wide employment, the development of the business world, including the level of community welfare (Putri dan Abdilah, 2019).

Bali is an island that has a variety of tourist attractions that are already famous throughout abroad. The attractions of Bali such as nature, art and culture, culinary, and the friendly attitude of the local community is what makes tourists want to visit and vacation in Bali. According to data collected by the Bali Province Central Statistics Agency, foreign tourists visiting in Bali have decreased from the end of 2019 to the present in 2020. If in December 2019 foreign tourist visits reached 552,403 people, in January 2020 foreign tourist arrivals fell to 540,230 people, and even in February 2020 it fell to 361,440 people (bps.go.id). The decline in tourism visits to the island of Bali is due to the COVID-19 (corona) pandemic that has begun to hit Indonesia. Tourists are reluctant to visit the island of Bali for fear of being infected by COVID-19. This decrease in the number of foreign tourists will have an impact on Bali's economic growth because the tourism sector contributes more than 50% to the Gross Regional Domestic Product of Bali Province (https://www.baliprov.go.id/web/pers-release/). Seeing the current decline in tourism it is possible that the performance and sustainability of MSMEs are affected.

Discussing about tourism, of course there is a positive correlation with the supporting micro, small and medium enterprises (MSME) sector. The role of MSME is quite needed to support the growth of the tourism sector. The development of the tourism sector will affect the MSME sector that supports tourism itself for example, souvenir shops, culinary businesses, homestay businesses, crafts and others. MSMEs are a source of livelihood for many people and are able to provide jobs for those who are educated and low-skilled and are able to reduce poverty (Agyapong, 2010). Even now, MSMEs are considered an effective way to raise the level of the Indonesian economy. The number of MSMEs in Indonesia reaches 57 million MSMEs, divided into micro, small and medium enterprises. MSMEs account for about 53 percent of Indonesia's total Gross Product and export contribution of 20.52 percent. MSMEs also absorb a lot of labor, micro-businesses absorb a workforce of about 77 million more workers, small businesses about 10 million workers and medium-sized businesses almost 5 million workers. This is certainly a good development because MSMEs can reduce the unemployment rate in Indonesia.

The development of the number of MSMEs is quite rapid, but currently MSMEs are still in the small business zone and it is difficult to become a large business. In general, MSMEs often face conventional problems that are not completely resolved, such as problems

of human resource capacity, ownership, financing, marketing and various other problems related to business management, thus making it difficult for MSMEs to compete with large companies (Abor & Quartey, 2010). However, MSMEs are a creative industry that has been able to provide a fairly large income for the island of Bali. Based on the explanation above, the main objectives of our study are to analyze the influence or impact of tourism decline due to covid-19 on the performance and sustainability of MSMEs in Denpasar City.

LITERATURE REVIEW
The Role of Tourism in the Economy
The natural and cultural potential of developing countries can be used as tourism development capital in their countries so that they can be developed as economic activities. As a service industry, tourism plays an important role in policies regarding employment opportunities because of the increasing urgency of demand for permanent employment opportunities along with increasing tourism in the future (Spillane, 1994). From the demand side, the impact of the tourism industry infiltrates various economic activities and spreads rapidly through various related industries. The economic impact covers a wide spectrum of policies. Concerning business opportunities, employment opportunities, transportation, accommodation, infrastructure, regional development, taxation, trade, and the environment. In particular, the tourism industry is very effective in supporting small businesses and creating job opportunities for young people as well as spreading job opportunities, both in regional, national and international scopes (Yoeti, 2008: 112). According to Wahab in his book Tourism Management (1996:12) says: "It is an important factor of economic development, as it motivates the development of several sectors on the national economy." Tourism is an important factor in the economic development of a country, because it encourages the development of several sectors of the national economy (Yoeti, 2008:111).

Micro small and Medium Enterprises
According to the Law of the Republic of Indonesia No. 20 of 2008 Article 1, what is meant by:

a. **Micro Enterprises** are productive businesses owned by individuals and/or individual business entities that meet the criteria for micro enterprises as regulated in this law.
b. **Small Business** is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part either directly or indirectly of a medium or large business that meets the business criteria. small as provided for in this law.
c. **Medium Enterprises** are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled, or become part either directly or indirectly of small businesses or large businesses with total net assets. or annual sales proceeds as regulated in this law.

MSME Performance and Sustainability
MSME performance is analyzed using an approach based on the following three assumptions, namely: (1) MSME performance measurement is often difficult to do quantitatively, due to limited resources (financial understanding and labor). (2) Performance measurement generally looks at complex financial indicators, so this does not completely show the actual conditions that occur in the business. (3) Performance measurement that is often used is relatively only appropriate when used for large companies that are structured in their company management. This study uses a non-cost performance measures approach to measure MSME performance as a measure of MSME financial and non-financial performance. Measurement through perception is expected to be able to show the actual condition of the MSMEs (Aribawa, 2016).

Business sustainability in MSMEs is seen from the company's success in innovation, employee and customer management and return to its initial capital. This shows that the company has an orientation to grow and see opportunities for innovation on an ongoing basis (Hudson, Smart and Bourne, 2001).

Hypothesis
Research conducted by (Suastika & Yasa, 2017) states that there is a positive and significant relationship between the number of tourist visits and the community welfare variable. This means, if the number of foreign tourist visits and the number of domestic tourists visiting Bali Province increases, the welfare of the community will increase. The number of tourist visits that continue to increase will increase the needs of tourists during their travels, which will cause consumptive symptoms for products in tourist destinations. With the consumptive activities of foreign and domestic tourists, it will increase income in the tourism sector, including MSMEs supporting tourism in Bali. The decrease in tourists visiting Bali will result in a decrease in the welfare of the community, causing a lack of people's purchasing power towards consumptive products. Over time, this will make MSME revenue as a supporter of Tourism activities will decrease so that it can affect the performance and sustainability of MSMEs.

H1: The decline in tourism due to Covid-19 has a significant influence on the performance of MSMEs in Denpasar City.
H2: The decline in tourism due to Covid-19 has a significant influence on the sustainability of MSMEs in Denpasar City.

METHODOLOGY
The focus of this research is the understanding of the decline in tourism due to Covid-19 on the performance and sustainability of MSMEs. The population in this study is all MSMEs in Denpasar City as many as 30,840. The determination of samples in this study

uses the slovin formula and obtained 100 MSMEs that will be used as respondents. The data collection used in this study used a survey method through a questionnaire. The data that has been collected will be processed using SEM PLS statistical analysis techniques. Finally, the interpretation of each variable is carried out to see the suitability of the theoretical and empirical models so that conclusions can be drawn from the formulation of the research problem. The research was conducted on Micro, Small and Medium Enterprises (MSMEs) in Denpasar City because Denpasar is a metropolitan city in Bali and the number of MSMEs in Denpasar City has increased in the last five years. Denpasar is also an area where MSMEs have increased in terms of business, because it is close to tourist areas and is also the city center. This research was conducted on SMEs in the handicraft, culinary and fashion sub-sector in Denpasar City.

FINDINGS AND DISCUSSION

Structural Model Testing (Inner Model)

The structural model in PLS is evaluated using R^2 for the dependent variable and the path coefficient value for the independent variable which is then assessed for significance based on the t-statistic value of each path. The structural model of this research can be seen in the following figure:

Figure 1 Inner Model
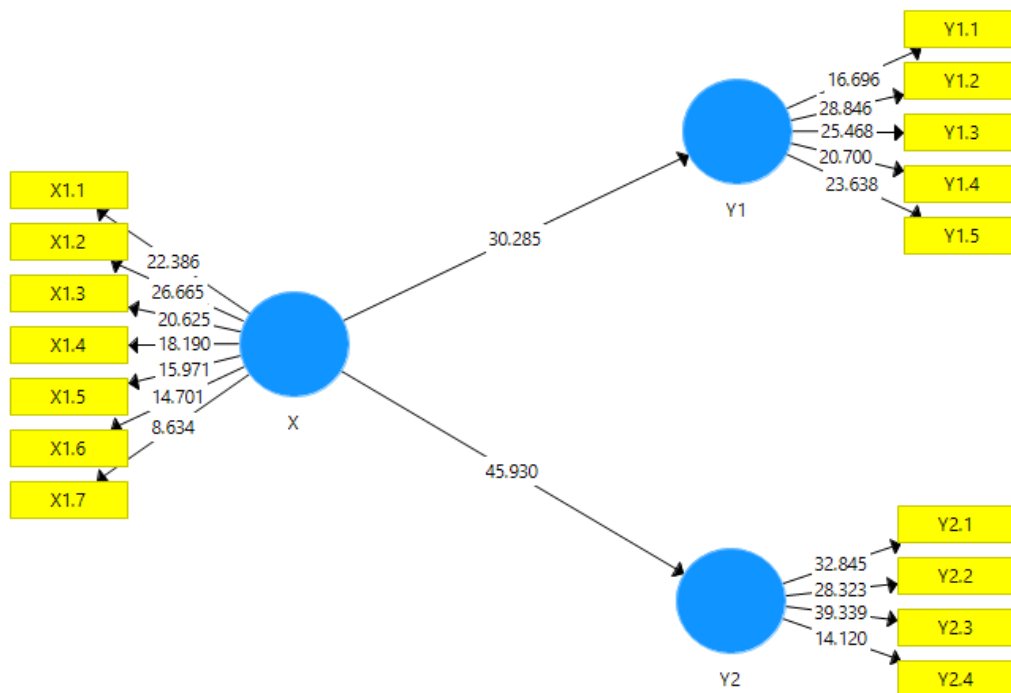
Source: Smart PLs 3 Data Processing Results, 2021

Path Coefficient Test

Path coefficient evaluation is used to show how strong the effect or influence of the independent variable on the dependent variable. While the coefficient determination (R-Square) is used to measure how much the endogenous variables are influenced by other variables. Chin said the results of R^2 of 0.67 and above for endogenous latent variables in the structural model indicate the effect of exogenous variables (which affect) on endogenous variables (which are influenced) is included in the good category. Meanwhile, if the result is 0.33 – 0.67 then it is included in the medium category, and if the result is 0.19 – 0.33 then it is included in the weak category (Ghozali, 2014). The following table shows the path coefficient results obtained from the SmartPLS output:

Table 1 Path Coefficients

	Original Sample Estimate	Mean of Sub samples	Standard Deviation	T-Statistic
X1 → Y1	0.842	0.844	0.028	30.825
X1 → Y2	0.896	0.899	0.020	45.930

Source: SmartPls 3 Data Processing Results, 2021

Based on the data in table 1 above, it can be seen that the path coefficient value of the effect of tourism decline on the performance of MSMEs is 30,825. The path coefficient value for the effect of tourism decline on the sustainability of MSMEs is 45,930. These

results indicate that all variables in this model have path coefficient values with positive numbers. The greater the value of the path coefficient on one independent variable to the dependent variable, the stronger the influence between the independent variables on the dependent variable.

Goodness of Fit

Based on the data processing that has been done using the smartPLS 3.0 program, the R-Square values are obtained as follows:

Table 2 R-Square Value

Variable	R-Square
Performance (Y1)	0.709
Sustainability (Y2	0.803

Source: SmartPls 3 Data Processing Results, 2021

Based on the data in table 2, it can be seen that the R-Square value for the performance variable is 0.709. The acquisition of this value explains that the large percentage of MSME performance can be explained by the decline in tourism by 70.9 percent. For the R-Square value obtained by the sustainability variable is 0.803. The acquisition of this value explains that the percentage of MSME sustainability can be explained by the decline in tourism by 80.3 percent.

The goodness of fit assessment is known from the Q-Square value. The Q-Square value has the same meaning as the coefficient of determination (R-Square) in the regression analysis, where the higher the Q-Square, the model can be said to be better or more fit with the data. The results of the calculation of the Q-Square value are as follows:

$$
\begin{aligned}
Q\text{-}Square \quad &= 1 - [(1 - R^2 1) \times (1 - R^2 2)] \\
&= 1 - [(1 - 0{,}709) \times (1 - 0{,}803)] \\
&= 1 - (0{,}291 \times 0{,}197) \\
&= 1 - 0{,}057 \\
&= 0{,}943
\end{aligned}
$$

Based on the results of the calculations above, the Q-Square value is 0.943. This shows that the diversity of the research data described by the research model is 94.3 percent. While the remaining 5.7 percent is explained by other factors outside the research model. These results state that this research model has a good goodness of fit.

Hypothesis test

Hypothesis testing in this study was carried out by looking at the results of the T-Statistic and P-Values values. The research hypothesis can be declared accepted if the P-Values <0.05 r is the result of hypothesis testing obtained in this study through the inner model:

Table 3. T-Statistic dan P-Values

HYPOTHESIS	IMPACT	T-Statistic	P-Values	RESULT
H1	Penurunan Pariwisata → Kinerja UMKM	30.825	0.000	Accepted
H2	Penurunan Pariwisata → Keberlangsungan UMKM	45.930	0.000	Accepted

Source: SmartPls 3 Data Processing Results, 2021

Based on the data in table 3 above, it can be seen that of the two hypotheses proposed in this study, all are acceptable because each of the effects shown has a P-Values <0.05. So, it can be stated that the independent variable (decrease in tourism) has a significant influence on the dependent variable (MSME Performance and Sustainability).

The t-statistic value for the first hypothesis, namely the decline in tourism on performance, is 30.825 and the t-statistic value for the second hypothesis, namely the effect of a decline in tourism on sustainability, is 45.930. These results indicate that both hypotheses can be accepted because the t-statistic value of each variable is > 1.96 (t-table).

Discussion of Hypothesis Test Results

The decline in tourism due to Covid-19 has a significant influence on the performance and sustainability of MSMEs in Denpasar City.

The results of the hypothesis test show that the P-Values that form the effect of tourism decline on the performance and sustainability of MSMEs is 0.000 and the T-statistic is positive, which is 30,825 for the performance variable and 45,930 for the sustainability

variable. These results indicate that the variable of tourism decline has a positive effect on the performance and sustainability of MSMEs. This means, if there is a decline in tourism, the performance and sustainability of MSMEs will decrease.

The current COVID-19 pandemic has had a significant global impact. The movement of the economic sector in various countries has fluctuated, including Indonesia. Indonesia is also affected by this pandemic, especially in the tourism sector. We already know that Indonesia is the world's favorite tourism destination. Bali is one of the tourism destinations that has its own charm and is never empty of visitors. However, due to this pandemic, the Bali tourism sector has been significantly affected. The sluggish tourism sector has a domino effect on the MSME sector. Based on data processed by P2E LIPI, the impact of the decline in tourism on MSMEs engaged in the micro food and beverage business reached 27%. While the impact on small food and beverage businesses is 1.77%, and medium enterprises is 0.07%. The impact of the Covid-19 virus on wood and rattan craft units, micro-enterprises will be at 17.03%. For small businesses in the wood and rattan craft sector 1.77% and 0.01% for medium enterprises. Meanwhile, household consumption will also correct between 0.5% and 0.8% (katadata.co.id, March 2, 2020).

So far, MSMEs have proven their ability to survive in difficult economic situations. Although it is known that its resilience in the face of an economic slowdown, related to the current conditions, the General Chairperson of the Indonesian MSME Association (Akumindo) Ikhsan Ingrabatun estimates that MSME turnover in the non-culinary sector has fallen by 30-35% since Covid-19, the reason is that sales of these products rely on face-to-face or meetings between sellers. and physical buyers. MSMEs that sell non-culinary products target foreign tourists as a market (Kompas, 10 March 2020) (Bahtiar & Saragih, 2020)

Some MSME actors feel this impact, especially MSMEs which are supporters of the tourism sector such as culinary, craft and fashion. According to Thaha (2020) more than 50% of MSMEs indicated that they could go out of business within the next few months. In Bali, the souvenir center plays a role for MSMEs that supply goods sold at the souvenir center. However, the absence of tourist visits to Bali has caused several souvenir centers to close and will reduce the demand for these MSME products and will ultimately have a detrimental impact on MSMEs (Purwahita et al., 2021). If this pandemic lasts for a long time, MSME actors are one of the parties who will feel the impact. Decreased sales will affect the performance of MSMEs and will ultimately threaten the existence and sustainability of these MSMEs.

CONCLUSION

The decline in the tourism sector has an impact on MSMEs because so far, the tourism sector is a labor-intensive sector that absorbs a lot of labor (Sanaubar et al., 2017). This pandemic situation will affect the performance and sustainability of the affected MSMEs. In a crisis situation like this, the government needs to pay special attention to the contribution of MSMEs to the country's economy. Several policies have been taken by the government to provide economic stimulus to tourism actors, one of which is to provide assistance to affected MSME (Arini dan Paramita, 2020)

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