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## Article

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## DEVELOPMENT ECONOMICS | RESEARCH ARTICLE

# MSMEs envisaged as the economy spearhead for Bali in the covid-19 pandemic situation

Nyoman Sri Subawa<sup>1\*</sup>, Ni Wayan Widhiasthini<sup>1</sup>, Ni Putu Intan Permatasari<sup>1</sup> and Ni Nyoman Sri Wisudawati<sup>1</sup>

**Abstract:** As a region that relies on the tourism sector as the priority then, when the Covid-19 pandemic hit the world, Bali became one of the most affected regions. Efforts are being made to drive the MSME sector in overcoming the financial crisis. The problem discussed was how the impact of MSMEs as the economy spearhead in the Covid-19 pandemic situation. The urgency of this research is to contribute to the practice of community empowerment through the MSME sector. The research method used is a qualitative method with a case study approach, to explore and comprehensively describe the phenomena that occurred in the MSME sector. This research was conducted in Bali Province, the determination of informants was carried out purposively. The results showed that MSMEs had become the economy spearheaded during the pandemic, become a solution to economic growth, accommodated the process of quadrant shifting from tourism performer into MSME performer, implemented economy digitization at various stages, and business activities. The sharing economy pattern has been formed in MSME business practices, through various related business sectors. The findings of this study are (1) a change in the mindset of the people who initially had a mentality as workers, now have an entrepreneurial spirit, and (2) the application of the sharing economy as an exchange of values in the MSME sector. The limitation of the research is that the research location is only in one area. The social implication is that MSME becomes a solution to prevent the potential social vulnerability.

**Subjects:** Strategic Management; Tourism Development/Impacts; Economics; Entrepreneurship and Small Business Management

**Keywords:** MSME; digital economy; related business sector; sharing economy; tourism performer; economy spearhead

## 1. Introduction

The Covid-19 pandemic has caused limited space for movement and limited the activities of the world community, in various activities. Particularly for carrying out tourism activities, these restrictions are even on a global scale. Most of the other economic sector activities which develop in Bali are mainly to support tourism sector activities. Before the pandemic (in 2019), domestic tourist visits to Bali reached 10.5 million and foreign tourist visits reached 6.3 million. The contribution of the tourism sector in 2019 reached 61% in Bali's GRDP. This has a negative impact on the economic condition of Bali, the economic downturn is unavoidable. As a region that relies heavily on the tourism sector as its main source of income, the tourism sector became the spearhead and booster of other sectors in Bali. Furthermore, based on the data from Indonesian Bank, the number of workers generating in the tourism sector in Bali as of 2019 was 328,000 workers. However, by

2020, the number has decreased by 28 percent to 236,000 workers. There was a decrease of 92,000 workers in the tourism sector.

The Balinese people who have been so dependent on the tourism sector, many have lost their jobs due to being laid off, affected by layoffs (Termination of Employment), and their workplaces are temporarily closed. This condition causes a lot of unemployment. Not only people who previously worked directly in the tourism sector such as hotel employees, restaurants, gift centers, tour guides, travel agencies, spa therapists, tourism drivers, informal sector workers such as street vendors, beach rescuers, hair braiding services, and others. But other types of work, which are highly dependent on tourism activities are indirectly also affected and eventually lose their jobs. The data presented shows that the unemployment rate in Bali has increased, in 2018 there were 35.811 people, in 2019 there were 39.288 people, while in 2020 it increased significantly by 144.500 people or by 267.79% Badan Pusat Statistik Provinsi Bali, 2021a).

The potential of social vulnerability and crime needs to be watched out by various parties, when people are faced with the condition of losing their jobs, losing sources of income in the long term. Debnath and Das (2017) in their study found a relationship between crime and economy prosperity in India, and this needs to be done quickly to restore the economy condition of the community. Meanwhile, Jalles and Andresen (2017) emphasized the need for sensitivity to immediately overcome unemployment, specifically if people who lost their jobs had a good financial literacy, education and technology (Khumalo and Alhassan (2021). This phenomenon is in accordance with the situation that occurred in Bali, most of the tourism performers who have lost their jobs are educated groups. In the way of overcoming the problem of economy downturn, people can rely on external inflows, a term coined by Tahir et al. (2020) to increase economy growth, as Pakistan has done since 1976, by accepting the flow of incoming from international sources (International Monetary Fund, World Bank, and Asian Development Bank). His research showed that there has been a significant acceleration of economy growth through the use of inflows of funds, having a positive impact on people's job opportunities. In the current condition, this policy is very difficult to implement, considering that all countries in the world are also experiencing economy downturn. Meanwhile, international organizations focus more on assistance in efforts to overcome the Covid-19 pandemic from the health aspect.

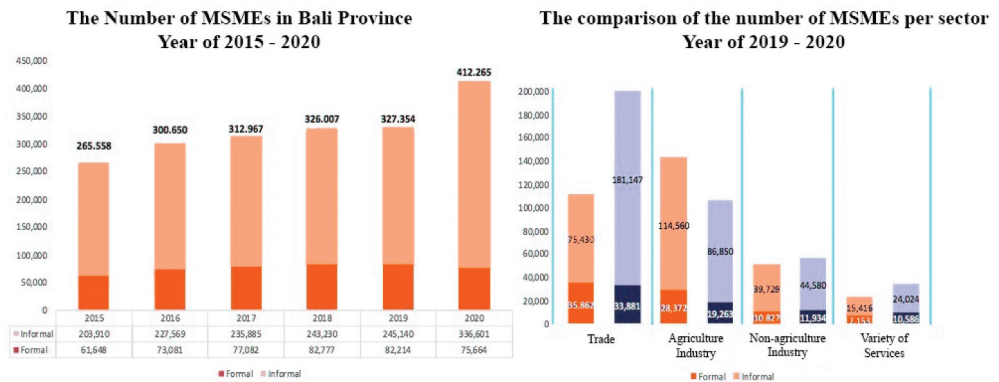
Various breakthroughs were made by the government in its capacity as a regulator and facilitator to recover the condition of economy in Bali. One of them is to revive the Micro, Small and Medium Enterprises sector, hereinafter abbreviated as MSMEs, as a productive economy business that is run on an individual, household or small-scale business entity. Some pro-MSME government policies in an effort to stimulate the community's economy include internet subsidy, shipping subsidy fees for MSMEs incorporated in the marketplace, mentoring, periodic training, and increasing the provision of KUR (People's Business Credit). All is done to motivate MSME performers to be more innovative, productive, and literate in the digital market.

Since the Covid-19 pandemic, many MSMEs in the formal sector have closed. It causes business performers and MSMEs workers in the formal sector to shift to the informal sector. It can be seen from the growth of MSMEs of Bali Province in 2020. It increased significantly, namely 25.9% (against 2019) compared to previous years which only grew by 4%—10%. The highest growth occurred in the trade sector at 93.2% (compared to 2019) which was dominated by the informal sector. The growth trend, which is dominated by the informal sector, also occurs in the non-agricultural industrial sector and various services. Below is a data figure (Figure 1) which showed the development of MSMEs in Bali Province and the comparison of MSMEs per sector in Bali.

When it is compared to other sectors, the trade (specifically in food and beverage) contributed to the high number of MSMEs. Currently, there are quite a lot of MSMEs performers who are engaged in the culinary industry, as a business opportunity, considering that culinary is a basic need of the

**Figure 1. Profile and development of msme in Bali province.**

Source: Bappenas (2021)



community. Culinary business is packaged with various creations, reaching various market segments, distribution, promotion is carried out through digital, online and marketplace applications. Many tourism performers switch their professions to pursue MSMEs in the culinary field, this is very interesting to observe. The problem that will be discussed in this research is how is the impact of MSMEs as the economy spearhead in the Covid-19 pandemic situation? The urgency of this research is to contribute ideas to the economy empowerment of the community through MSMEs.

## 2. Literature review

This study will refer to several research results that are relevant to the research topic, provide inspiration to raise the topic of research in the MSME sector, and aims to fill the research gap that has been carried out in the following studies. The first is research related to the small business sector, including: research by Sarmah et al. (2021) on India's efforts to overcome poverty, by optimizing micro, small and medium enterprises (MSMEs) to encourage job creation, especially in developing region. Research findings showed that the establishment of MSMEs has a positive impact on job creation and capital investment. Then, research by Baran (2021) found that in a pandemic situation causing an economy recession, consumers are very concerned about the price aspect, as a consideration for shopping, they are chasing discounts. The results of Manyati and Mutsau's (2021) research indicated the need to expand skills in managing small and medium-sized enterprises in a sustainable manner to overcome the crisis. Business restructuring has been carried out by MSME performers in order to survive in the pandemic situation, they are aware of their increasingly limited space, and optimize the use of digital platforms, as well as business networks in accessing supply chain, conducting market research, and electronic payments. The researcher's assumption is that the skill of MSME performers which really needs to be improved is the technology mastery thus, they can optimize the expansion of their marketplace. If it is associated with MSME activities, referring to the local and limited scale of business, production and promotion costs that can be controlled, it is very possible to sell products at lower prices. The active role of MSMEs performers is also needed in improving the economy, particularly in the field of employment.

The other thing that needs attention is the sustainability pattern of MSMEs, to be able to continue taking a role and be a driver of sustainable development thus, they do not only play a role in overcoming the economic crises during the pandemic. Bacq and Eddleston (2018) in their research revealed that entrepreneurship has got attention from the government and support from various stakeholders, by utilizing the social potential and resources of local communities. Carroll (1978) strengthened through the concept of sustainable entrepreneurship, which gets attention from the government, starting from the planning stage, containing clear objectives, time allocation, costs, personnel needs and beneficiaries of the program, all of which are classified in operational management. Furthermore, Chell et al. (2016) introduced

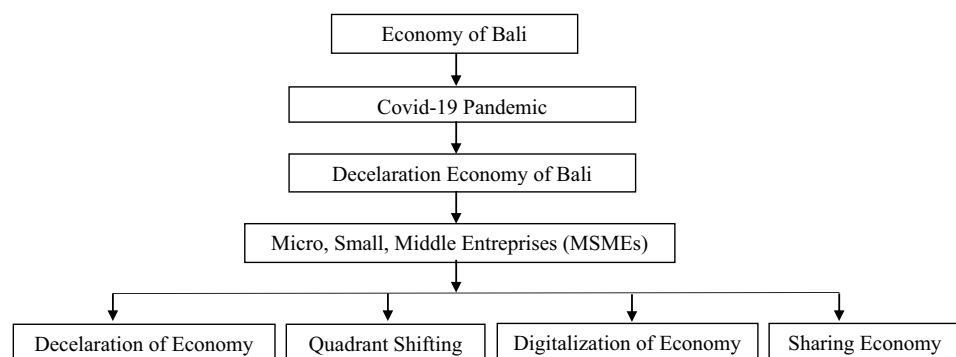
the concept of social entrepreneurship, viewing that entrepreneurship as a solution for economic improvement, and solving social problems by utilizing potential and taking account into geographical conditions.

A Research which is related to new patterns of tourism needs to get a special attention, Nilsson (2020) introduced the concept of “overtourism” that can encourage the growth of urban tourism. The thing that needs to be addressed is the threshold for population, visitors and the carrying capacity of tourism destinations, especially its implementation after the pandemic. So that the concept of overtourism can be a driving force for economy revival. The results of a study conducted by Postma and Yeoman (2021) emphasized that the government and people who rely on the tourism sector as a source of foreign exchange must realize that the tourism sector is very sensitive to various disturbances. Thus, it is necessary to design a system that is adaptive to various disturbances that might be occurred. This shows that other sectors must be driven as the mainstay of the economy, not only relying on the tourism sector. The Covid-19 pandemic also has an impact on the growth of a new pattern of government-private sector partnerships, which Park (2021) termed “Agility”, namely the formation of strategic values of partnerships between logistics companies, humanity as a business strategy in the midst of limited space for various groups. This established pattern can be applied even after the pandemic has been ended. There are several factors such as an adaptive attitude to the crisis that must be possessed by businesspeople to facilitate relationships with various institutions, access capital and implement appropriate strategic management. Then, it is identified as a factor of entrepreneurial resilience as a requirement for entrepreneurship, especially in developing countries whose economies are growing (Portuguez Castro & Gómez Zermeño, 2020).

### 3. Research framework

Bali’s economy has so far been highly dependent on the tourism sector, the reference for all economy activities is based on the tourism sector. When this flagship sector was affected by the Covid-19 pandemic, the structure of the Bali’s economy experienced a very strong shock. Its growth has become very slow, various efforts have been made by the government, one of them is by reviving the MSME sector, a sector that has been able to survive the financial crisis that occurred in 1998. The MSME sector also has the flexibility to adapt to the situation at hand, particularly in the process aspect, production aspect and marketing reach. However, they are often faced with limited aspects of capital and the use of information technology and promotion as well. One of the industries that is directly in contact with the basic needs of the community is food and beverage, where the growth of this business remains positive despite the pandemic situation. The choice to revive the MSME sector is very interesting to be observed, the impact that might be occurred, in the economy deceleration, quadrant shifting, optimizing economy digitization and implementing the sharing economy (Figure 2).

**Figure 2. Research framework.**



#### 4. Research methods

The research setting of this study is Bali Province, on the grounds that Bali is a region that relies heavily on the tourism sector as its main source of income. The Covid-19 pandemic has paralyzed all components of Bali's tourism, the number of unemployed has increased sharply. On the other hand, the government is very aggressively paying attention to the development of MSMEs as a solution to stimulate the Bali's economy. This research uses a qualitative research method with a case study approach, in order to understand, investigate, and provide an in-depth picture of the existence of MSMEs during the Covid-19 Pandemic. Sources of data in this study are primary and secondary data sources, the types of data used include qualitative and quantitative data. Informants in this study are included MSME performers, tourism performers, banking, government and community elements. Determination of informants purposively, the researchers themselves determine the criteria for selecting informants, namely people who understand the existence of MSMEs in Bali, tourism performers affected by the Covid-19 Pandemic and the community as MSME consumers. Data was collected by doing observation, interview and document studies techniques. The collected data is then analyzed in stages of data reduction, data presentation and conclusion drawing. Prior to data analysis, the validity of the data was also tested using the source triangulation technique, namely combining various data sources obtained from interviews, examining existing documents and observations.

#### 5. Discussion

This discussion section will elaborate the impact of implementing MSMEs as the economy spearhead in the Covid-19 pandemic situation, especially in the Bali Province area. The definition of MSMEs refers to Law Number 20 of 2008 concerning on MSMEs as productive businesses owned by individuals or business entities that have fulfilled the criteria as micro-enterprises. Based on the criteria, MSMEs are divided into types. First, micro-enterprises, which are productive economy businesses that have individuals or business entities, which are growing rapidly and advancing. It has a net turnover of up to 50 million rupiahs, excluding land and buildings, and reaching a minimum sale of 300 million rupiahs in one year. Second, small business is defined as a productive and independent economy business, owned by a group or individual business entity, and not a branch of another business. It has a net worth of 50 million rupiahs, with a maximum use of 500 million rupiahs with sales for a year of at least 300 million rupiahs and a maximum of 2.5 billion rupiahs. The third is a medium-sized business, which is a business in a productive economy, not a branch of the main business or central company. The wealth of medium-sized businesses reaches 500 million rupiahs to 10 billion rupiahs (excluding land and buildings), with sales reaching 2.5 billion rupiahs to 50 billion rupiahs. The impact will be observed from several aspects, including economy deceleration, quadrant shifting, digital economy and sharing economy. This can be explained in the following section.

##### 5.1. Deceleration of economy

As a region that relies on the tourism sector as the leading sector and the main driver of the economy, the Balinese people experience indeed the negative impact of Covid-19 pandemic, especially from the economy aspect. A study conducted by Hilton (2021) shows that the Covid-19 pandemic has caused instability in economy growth. The government is obliged to implement fiscal discipline, determining which projects are included as a priority, prioritizing spending on investment. Especially in the perspective of a developing country, which uses the public debt model. Couret's (2020) also emphasizes how strong the impact of the Covid-19 pandemic is on the tourism sector in various countries, which ultimately affects the inclusion of society. Couret said that it was unprecedented thus, it was necessary to recommend new patterns of creative tourism and efforts to accelerate crisis recovery. One of them is by reviving the MSME sector. Referring to the results of those two studies, it appears that there is no government and society that is ready for the economy shocks happened because of the Covid-19 pandemic, including the Balinese people. Bali's economy growth has slowed, there has been an extraordinary contraction, Bali's economy has corrected very sharply. The existing data showed the occurrence of minus 9.85 in the fourth quarter of 2020, other data is also reflected in GRDP (Gross Regional Domestic

Product) at current prices of 52.88 trillion, if it is observed at constant prices for 2020, Bali's GRDP is 34.81 trillion.

The data showed that Bali's economy in the first quarter of 2021 recorded a negative economy deceleration, contracting as deep as 5.24 percent, particularly when it is compared to the achievements in the fourth quarter of 2020. Furthermore, in terms of production, the economic structure of Bali in the first quarter of 2021 was still dominated by Category I of GRDP (Provision of Accommodation and Food & Beverages) which recorded a contribution of 17.39 percent. Meanwhile, in terms of expenditure, the largest contribution was recorded in the Household Consumption Component, namely 57.09 percent Badan Pusat Statistik Provinsi Bali, 2021b). Since Category I (the accommodation and food & beverages) is the part of MSMEs that highly developed since the Covid-19 pandemic. When this takes as a sample, it can be concluded that MSMEs is contributed to Bali's GRDP.

Similar conditions are also faced by large countries such as the United States, the Covid-19 pandemic has caused economy shocks to various economy sectors in the United States (Elhini & Hammam, 2021). Furthermore, Almarayeh and Almarayeh (2021) stated that the Covid-19 pandemic had a global impact, the economy of various countries, it also had a colossal impact in various sectors, especially if it lasted for a long time. The results of this study also showed that the Covid-19 pandemic affects people's lifestyles and paid more attention to health aspects. Finally, this condition will change the economy condition, there are several leading sectors which are experiencing a shift such as the health sector and MSMEs. The Covid-19 pandemic also has an impact on the tourism sector, especially travelling activity across countries, which ultimately brings economy downturn for countries that rely on the tourism sector as their main source of income (Toanoglou et al., 2021). The results of these studies can explain the deceleration in Bali's economy growth, which stems from the focal attention point of the government and the Balinese people to make the tourism sector as the main source of income. The tourism industry indeed employed a lot of workers and had various business networks such as hotels and various other types of accommodation, restaurants with various concepts, tourism destinations which also have various themes, souvenir centers from traditional markets to modern markets, travel services that provide various modes of transportation options, spas, various types of crafts, textiles and other hospitality businesses. Then, when the tourism industry was shaken or might be said as almost collapsed, all those business networks are also stopped.

Various sectors which potentially to be developed in Bali include the agricultural sector, both with traditional management and the concept of applying technology such as urban farming, stockbreeding, marine such as seaweed cultivation, fisheries that use the application of technology in its processing, and culinary (food and beverage). All of those sectors have not been worked on optimally and professionally, stockbreeding is even only considered as an investment. Many Balinese people keep cattle as a form of investment, when the price is high, they are sold and not for breeding. Likewise, the other sectors, which have not been developed in a sustainable manner.

## 5.2. Quadrant shifting

Economy recovery is certainly an effort that must be made by various groups, the government, business performers and the community, to build strategic partnerships to make it happened. The MSME sector is considered by various groups as a solution to get out of the economy crisis, MSMEs can become a pillar of the economy and it has become a savior when the economy crisis occurred in 1998. The results of Csath (2021) research showed that MSMEs have become the backbone of the economy, starting from small scale service providers as a new company until it can grow rapidly. MSME performers are proven to be able to survive in the economy crisis situation since they have intellectual skills in employing workers of productive age and they are very adaptive in making adjustments to various things. The study conducted by Kharub and Sharma (2017) further confirmed that MSMEs have a competitive advantage in the midst of a crisis, particularly the

pharmaceutical sector followed by food. This opinion can explain the phenomenon that occurs during the current Covid-19 Pandemic situation, the food and beverage sectors are still the main commodity, it is recorded that it can contribute 17.39 percent while household consumption is recorded at 57.09 percent in the first Quarter of 2021 Badan Pusat Statistik Provinsi Bali, 2021b). In the way of maintaining their immunity, people focus their spending on buying food and drink for staying healthy, which now have become a basic need.

This situation has got a response from MSME performers who have worked in business as entrepreneurs or people who are new to business, especially tourism sector workers who have lost their jobs. Competition is unavoidable, some food vendors have stated that their sales are declining in this pandemic situation. Before the pandemic, they could sell orders in large quantities. Since the Covid-19 pandemic happened, the sales have decreased. This is because many MSME performers also sell the same products, especially those who were formerly workers in the tourism sector. Moreover, the former tourism worker used social media as a forum for their product promotion. This phenomenon is experienced by many other MSMEs from culinary sectors, who are engaged in selling pudding, various cakes, Balinese specialties, Padang dishes and various other types of food, they feel the same way. The results of researchers' observations showed that many tourism workers, especially those who have expertise in the culinary field, previously worked in restaurants and hotels switched their professions to pursue culinary businesses. Competition is very highly felt, this condition is exacerbated by the decline in people's purchasing power. Syapsan's opinion (Syapsan & Syapsan, 2019) which emphasized that MSMEs need to implement a marketing mix, because the better the quality of service provided, the higher customer satisfaction. Quality services can drive the local economy in a sustainable manner. This opinion is very appropriate to be used as a reference for MSME performers in running their business, they must pay attention to the products being marketed, selling prices, production costs, activating promotions, especially through social media and determining sales reach in order to establish a wider digital-based marketplace. MSME performers must also pay attention to human resource management practices with an emphasis on aspects of awareness, action, completeness, and excellence (Maheshwari et al., 2020). When competition is high, conscious action is needed to make changes, completing things that need to be completed, such as the use of information technology, attention to packaging and product appearance. Thus, the products sold have excellent point. This includes professions changing such as pursuing modern agriculture, stockbreeding, marine cultivation based on information technology.

Maiti (2018) then emphasized the strong challenges, as well as opportunities in promoting easy access to finance for MSME performers, this happened in India. This condition also occurs in Indonesia, the government has issued a policy so that MSME performers can easily access capital assistance. But, the reality is that MSME performers are still a priori when faced with the credit system, they are accustomed to using funds independently thus, their production, distribution and promotion capabilities are adjusted to the available funds. Vozzella and Gabbi (2020) stated that the government needs to introduce capital regulations to MSME performers so that, they know the regulatory design comprehensively. Meanwhile, new MSME performers actually have the courage to take advantage of government financing, they take advantage of KUR (people's business credit) which is distributed by various financial institutions such as banks, government and private sectors. People's Business Credit (KUR) is a very helpful bank product for MSME performers to increase business capital, so that their business can be developed and it affects their financial management as well. Several informants also stated that the interest rate on KUR loans was quite low at 7%, which greatly helped ease the business burden of MSME performers. Referring to the research results of Mittal and Raman (2021b), it showed that MSMEs face several financial constraints such as business financing and cash flow management, which is then confirmed by Mittal and Raman (2021a) that MSMEs experience difficulties in accessing formal finance, especially in developing countries. There is a reluctance of company owners to borrow funds through formal channels. This phenomenon then opens up opportunities for the existence of FinTech companies, particularly FinTech peer to peer lending which also offers loans.

All stakeholders must provide space for MSME growth, steps are needed to ensure the challenges faced by MSME performers (Bhat et al., 2021), Restrepo-Morales et al. (2019) added that the performance of MSMEs is highly dependent on their own innovation efforts in product development, without being based on research results. Therefore, the participation of higher education institutions and other research institutions is needed to disseminate research results related to the development, quality, creation and marketing methods of products that are currently in demand by consumers. Further, it could be used as a reference by MSME performers.

### 5.3. Digitalization of economy

The industrial revolution 4.0 has given rise to an era of disruption, followed by a shift marked by the use of information technology in various fields and reaching various business sectors (Subawa & Mimaki, 2019); (N.S. Subawa et al., 2020). Furthermore, Martinez (2019) in his study stated that the digitalization era has brought opportunities and challenges, as well as the need for organizations to implement digital-based solutions in their activities, including business organizations such as MSMEs. The research results from Beliaeva et al. (2020) further strengthens that entrepreneurship needs to change its business strategy towards optimal digitalization and needs to pay attention to strategic partners in running their business. Citing the results of these studies, optimizing the use of technology such as social media in the promotion and sale of MSME products is a must. Particularly in the current pandemic situation, which causes very limited space for people to move, they are afraid to do shopping activities directly for health reasons. Thus, the online shopping and payment model is the community's main choice, as well as in making purchases. People tend to search digitally through various social media.

The digitization process is very helpful in developing products in a sustainable manner (Agrawal et al., 2021); (N. S. Subawa et al., 2021). Consumer responses to marketed products can also be known through social media, even consumers can also act as marketing through their testimonials on social media. Currently, the disruption that is identical to the optimal use of technology can be carried out by MSME performers in various lines, starting from promotion using various social media platforms. Until the transaction process and delivery of goods, transactions can be carried out through the application of non-cash payments. Through various transaction methods from the account transfer system, FinTech payments with the consumer application can access the products they need without having to meet directly with the seller. Meanwhile, from the health aspect, to prevent the spread of the virus in this pandemic situation, the government has issued a policy to optimize non-cash transactions. In terms of financial certainty, the non-cash payment scheme also provides more certainty for MSME performers, the funds which enter the account can be directly transferred for savings, business development or the need for purchasing production materials.

The product distribution process is currently also undergoing digitization, delivery can be made through a delivery application according to the product ordered by the consumer. MSME performers can easily send products from the location where they are produced, and know the history of the products sent through a digital footprint on the delivery system. Likewise, with consumers, they can find out the position of the product purchased. Referring to this phenomenon, knowledge about digitalization is very important to be mastered by MSME performers to be able to win the competition. Research results from Ali et al. (2018) further emphasized that economy digitization is very important, even the government has implemented it through e-government and the digital economy.

Tsindeliani et al. (2021) in their research found the context of digital economy development, contributing to the application of prudential principles, especially those carried out by the banking sector in order to protect the public interest. This can be interpreted that the financial security of MSME performers in the transaction process is guaranteed through the digitization process. Rossato and Castellani (2020) then added that companies can exist and develop if they adopt digitalization in their business practices by paying attention to conditions and competitiveness. Digitalization must be implemented by companies to achieve efficiency and effectiveness of business processes, make it easier to understand customers, increase entrepreneurial literacy,

and develop skills for the latest designs. This perspective further reinforces the need for collaborative principles that MSME performers must possess in developing their business.

#### **5.4. Sharing economy**

The business revolution has actually occurred through the application of a sharing economy that applies business management, managerial processes, involvement and sharing of results, business ventures which are applied to the concept of the sharing economy. This moves from the inequality of ownership of equipment, production and distribution infrastructure. Through the sharing economy principle, various opportunities are also offered, by optimizing the involvement of various parties, including MSME performers. This then opens up opportunities and business activities to meet changes in consumer behavior in fulfilling their consumption desires (Eichhorn et al., 2020).

The principle of sharing economy is very important to be realized due to the development of consumption patterns that continue to change, the business environment is also changing, business models are increasingly diverse. Several perspectives that encourage the sharing economy to be applied optimally include online platforms, communal relationships, and value exchange (Kim, 2020); (Cho et al., 2019). The theoretical study proposed by Kim and Cho can be explained in the business practices of MSMEs engaged in the culinary, fashion, accessories and modern agriculture sectors. Strategic partners who need to be invited to work together are food photographers who have the ability to take pictures of food and drinks to make it look more attractive and alive, through their expertise and sensitivity to capture the essence of the food that is used as the object of the photo. Likewise, professional photographers who are good at photographing other objects such as fashion, jewelry or agricultural products from urban farming which are free of chemicals. Further is a partnership with digital platform managers, land transportation services managers, online application-based startups managers, logistics business managers who can serve product delivery and ordering. MSME performers, even though they do not have special personnel assigned to send products, they can use those mentioned company's services. Gupta's research (Gupta, 2021) negates if the sharing economy can reduce the level of capital rent and expenditure in distribution. Surely this has an impact on lower production costs thus, products can be marketed at lower prices.

#### **6. Findings and research limitations**

The findings of this study are (1) MSMEs have become a bridge for changing the mindset of the community who initially worked in the tourism sector, from initially having a mentality as a worker, now turning into a MSME performer who have an entrepreneurial spirit, and (2) the application of the sharing economy in the MSME sector is interpreted as an exchange value that occurs between MSME performers and various other business networks. (3) digitization has been applied to the MSMEs sector, initiated by the government by launching a non-cash transaction system, which can be accessed by all levels of society, including MSME performers. It has been integrated with all the financial institutions. In addition, the legality of the digital payment system has been stipulated by government regulations particularly related to optimizing non-cash transactions.

This study has limitations in terms of determining the location of the study which is only in one province. The researcher recommends the further researchers to conduct a relevant research in other provincial areas which also rely on the tourism sector as a leading sector before the Covid-19 pandemic occurred.

#### **7. Conclusion**

The impact of MSMEs establishment as an economy driver during the Covid-19 Pandemic can be observed from; First, the success of MSMEs in overcoming the deceleration of economy growth, MSME is being a solution to revive the economy. Second, MSMEs are also a bridge for the quadrant shifting of community components particularly those who have lost their jobs in the tourism sector, business competition is becoming increasingly competitive. Third, MSME performers are

part of the implementation of economy digitization through the use of information technology when conducting promotions and implementing non-cash transactions.

Innovative and productive digital MSME is the key to Bali economy recovery from the pandemic situation. It is needed to increase the cooperation among institutions, local governments, banking institutions, marketplace, all entrepreneurs to prepare MSMEs to compete in its domestic market and the global market in this economic disaster. Online delivery service provides solutions to support MSMEs to more easily practice digitization from daily business operations, marketing, order processing, payment, delivery to administration. Fourth, the implementation of sharing economy has become a solution to the limitation of production facilities and infrastructure, promotion skills, and the personnel needed to deliver products.

## 8. Social implications

The government's quick decision to make the MSME sector as a solution to revive the economy growth, has brought a social implication. It can prevent the potential of social vulnerability that can arise due to the large number of people who have lost their jobs in the tourism sector and the economic downturn in the unpredictable term.

The government's quick decision to make the MSMEs sector as a solution in generating economic growth has brought social implications. It prevents the potential social vulnerabilities that can arise due to the large number of people who have lost their jobs in the tourism sector, and the economic downturn in the unpredictable term. Sustainable entrepreneurship can be a solution for economic improvement and solving social problems by exploiting potential, taking account into geographical conditions. This concern will form the spirit of social and sustainable entrepreneurship. A collective value system is formed, including capitalism as a form of capital optimization, social care that emerges from the crisis, and an understanding of social values. All of these things bring a management transformation in the management of MSMEs (Porter & Kramer, 2011); (Chell et al., 2016).

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