EQUITY CROWDFUNDING AS MSME FINANCING ALTERNATIVE TO IMPROVE BUSINESS COMPETITIVENESS IN THE TIME OF COVID-19 (CASE STUDY IN PAK MIN CHICKEN SOP)

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ABSTRACT

One indicator of economic growth in a country is inseparable from the existence of Micro, Small and Medium Enterprises (MSMEs) that grow in the midst of society. However, MSMEs often struggle to continue to exist amidst limited capital. What’s more, the Covid-19 pandemic that is currently hitting Indonesia has become an obstacle in itself for MSME players. In the era of information technology developments that are running so fast, there are also advances in financial technology that make it easier for MSME players to survive during the Covid-19 pandemic, namely by means of equity crowdfunding. Equity crowdfunding is a crowdfunding service through information technology-based stock offerings. In this study, the authors examined one of the MSMEs engaged in the culinary sector which is currently struggling to increase its competitiveness during the Covid-19 pandemic, namely Sop Ayam Pak Min by using equity crowdfunding on the Santara platform. The purpose of this study was to determine the strategies used by Sop Ayam Pak Min in increasing its competitiveness in the midst of a pandemic and to determine the impact of equity crowdfunding on the business. This research method uses descriptive qualitative approach to literature study and interviews. The result of this research is that equity crowdfunding has an effective role in helping MSMEs Sop Ayam Pak Min in dealing with the Covid-19 pandemic because the funding allocation obtained can be used wisely and on target.

Keywords: Micro, Small and Medium Enterprise (MSME), Covid-19 Pandemic, Equity Crowdfunding

I. INTRODUCTION

The impact of the spread of the Covid-19 pandemic around the world besides the emergence of health problems, one of which is the emergence of economic problems that occur outside the predictions of all circles. The Covid-19 pandemic has had a significant negative impact on economies around the world, including in Indonesia. In Indonesia, the capital market has plummeted because many investors have withdrawn their shares, hampered business mobilization due to large-scale social restrictions (PSBB) in several regions, decreased sales on both domestic and export scales due to people's consumption, which tends to save money during this pandemic, workers who are dismissed in order to balance the company's finances, and capital difficulties that hamper business development.
The current economic problems have made MSMEs an important issue which is expected to be able to survive and sustain the national economy. According to data from the Central Statistics Agency (BPS), the percentage of UMKM business units reaches 99% or around 64,194,057 businesses in Indonesia. MSMEs also contribute 97% of workers or 116,978,631 workers who live from MSMEs (Depkop, 2018). The comparison of Gross Domestic Product (GDP) with large enterprises is also still superior to MSMEs, namely 61% compared to 39% of the 100% scale. Therefore, it is important for MSMEs to survive and continue to exist in order to maintain the stability of the national economy.

One alternative solution so that MSMEs can survive amid the Covid-19 pandemic is crowdfunding as an alternative capital. Crowdfunding, especially equity crowdfunding, can be an alternative funding solution that can be used by MSMEs to expand their business share. Usually, MSMEs will experience difficulties in obtaining capital loans from banks, due to the low credibility of the borrowers and the low possibility of repaying them, as well as the absence of collateral for assets that can be used if the borrower experiences default (Siamsyah Fadillah Akbar, 2016). With new schemes such as equity crowdfunding, funding opportunities for the MSME business will be wider and easier and faster than the funding process from banks which takes longer. This will make it easier for MSMEs to innovate to be adaptive to conditions so that their businesses do not collapse due to the pandemic.

Among the types of crowdfunding such as donation-based crowdfunding and reward-based crowdfunding, equity crowdfunding is similar to an IPO (Initial Public Offering) in principle, namely offering shares to the public. It’s just that the stock offering through crowdfunding is aimed at small to medium-sized companies, with fundraising not exceeding Rp. 6,000,000,000 (six billion rupiah) (Hutomo, 2019). As an alternative to fundraising with a share return, internet-based equity crowdfunding with applications such as Santara, Bizhare, LandX and CrowdDana provides benefits that can outperform the initial public offering of company shares (IPO) which is more likely for MSMEs to get capital more easily and quickly in the future. the covid-19 pandemic like this. In addition, there is also a risk that the investment value of investors may decrease if the company invested experiences a loss in its operational activities. In addition, the value of its shares fell when the secondary market for equity crowdfunding, or other applications, was opened, which became one of the obstacles in this equity crowdfunding system.

In previous research, it was stated that the opportunity for equity crowdfunding in Indonesia is very large with the support of the government and the investment climate which is expected to grow will further enlarge business opportunities (Nugraha, 2019). For this reason, it is deemed necessary to conduct research on the role of equity crowdfunding as an alternative solution in maintaining the existence of MSMEs through flexible financing that will answer a little and provide examples of the realization of business opportunities that exist, especially during the Covid-19 pandemic. This is supported by research which says that in the end, equity crowdfunding can be a source of entrepreneurial funding that can last in the long term, and produce several different economic value-added capabilities (Schwienbacher, 201
II. RESEARCH METHODOLOGY

This research was conducted online by interviewing the market leader of Sop Ayam Pak Min at the end of June 2020. The research method used was qualitative research. The research method according to Sugiyono (2011: 9) is a method based on the philosophy of postpositivism, while in natural objects, researchers are a key instrument and data collection techniques are carried out by triangulation. Data analysis has an inductive or qualitative nature and the results of the study emphasize definition rather than generalization. In using qualitative research methods, the authors conducted interviews and literature studies to determine the implementation of equity crowdfunding used by Pak Min's Chicken Soup. In this qualitative research, humans are used as the main instrument in research. It stands to reason that things do not yet have a definite form. Problems, research procedures, research focus, and even research results cannot be determined with certainty. So it still needs to be developed throughout the research and there is no other choice that researchers are the only means of achieving it.

Researchers are trying to dig up data related to how equity crowdfunding plays an effective role in maintaining the existence of MSMEs in the midst of the Covid-19 pandemic with structured interview instruments including business conditions before and after getting equity crowdfunding funding, how the allocation of funds is obtained from equity crowdfunding, and innovations or strategies applied in an effort to increase business competitiveness in the midst of the Covid-19 pandemic. So that the target of whether equity crowdfunding really affects MSMEs in increasing business competitiveness in the midst of the Covid-19 pandemic can be answered.

The data source is the subject from which the data is obtained in the study. In this study, the data source used was to determine the implementation of equity crowdfunding for Pak Min's Chicken Soup in the middle of the Covid-19 pandemic. In obtaining data and information related to the problems discussed in this study, the sources used were secondary data from interviews with market leader Pak Min Chicken Soup and literature studies.

Data collection techniques in this study the authors used interview techniques and literature studies. The interview was aimed at important parties in building the existence and competitiveness of Pak Min's Chicken Soup business, namely Mr. Fiki Fernandez as the market leader and the investment division in Pak Min's Chicken Soup. This interview is intended to obtain research data. The author asks several questions that are directed to the focus of the research and records them, then the data is analyzed so that the data becomes a study. Whereas the literature study is carried out by reading according to the topics in this study, such as books, journals, and articles then reviewing them so that they can support the correctness of the data obtained through research.

III. RESEARCH AND DISCUSSION

Equity Crowdfunding Sebagai Alternatif Pembiayaan UMKM di Masa Pandemi Covid-19

Today's economic growth, especially in the midst of the Covid-19 pandemic that has hit Indonesia, has decreased. The Central Statistics Agency (BPS) has recorded that Indonesia's economic growth in the first quarter of 2020 was only 2.97%. Economic growth in the 1st quarter of 2020 is currently lower than the 1st quarter of 2019 of 5.07%. This delay is due to the decline in the number of exports in Indonesia. However, the government has made efforts to boost economic growth, especially during the current Covid-19 pandemic by replacing economic
drivers from those previously only dependent on the consumption and commodity export sectors to investment-based economic growth. Seeing this phenomenon, it is better if the Indonesian government encourages one of the financing instruments that are currently popular and relatively new, which is called equity crowdfunding.

Equity crowdfunding can be an alternative financing that can be used by start-up companies and MSMEs during the Covid-19 pandemic. Equity crowdfunding is an electronic system that provides an open share offering service by issuers to sell shares directly to investors in an open manner. Equity crowdfunding financing schemes in the form of offers of funds by issuers or business owners and investors can raise funds on a small scale but come from a large number of people so that funds can be raised significantly. The emergence of equity crowdfunding in Indonesia is very suitable for MSMEs, which generally have limited cash or income and assets and are not subject to interest charges so that issuers or business owners can develop their business effectively. When the business gets a profit, the issuer will distribute dividends to investors proportionally according to the portion of ownership it holds.

Equity crowdfunding is the latest innovation in financing sources that are oriented towards efficiency and effectiveness, which has become a breakthrough in the development of financial technology-based capital markets (fintech). Equity crowdfunding has several potential advantages that can develop a business at start-up companies or MSMEs in Indonesia, including (Hutomo, 2019): a. A way of raising funds that does not cost a lot of money when compared to an Initial Public Offering (IPO); b. Does not require special guarantees, so it is suitable and suitable for start-up companies and MSMEs that do not have many assets, which may only have assets in the form of liquid wealth; c. Does not have a minimum capital requirement except that which has been determined by the Company Law when the Limited Liability Company was established; d. There are no other parties involved except the issuer, financier, organizer or equity crowdfunding platform, and OJK as the institution that carries out supervision, guidance and regulation; e. The publisher has full control over the company; f. The submission process to the organizers is quite fast; g. Publication through fundraising can foster a sense of trust from the customer base in the company.

Equity crowdfunding has been regulated in the Financial Services Authority (OJK) regulation Number 37 / POJK.04 / 2018 concerning Crowdfunding Services through Information Technology-Based Stock Offerings (Financial Services Authority of the Republic of Indonesia, 2018). In this regulation, the Financial Services Authority needs to support beginner business actors, such as MSMEs, to contribute to improving the national economy by providing an alternative source of information technology-based funding, namely equity crowdfunding. This regulatory statement is in line with government regulations written in Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs), namely supporting business actors by providing technology-based financing.

Currently, an equity crowdfunding platform is present in the midst of the development of financial technology in Indonesia to help small and medium enterprises (MSMEs) and businesses (MSMEs) get funds through a joint mechanism. Equity crowdfunding platforms that have obtained permits from OJK, namely, Santara, Bizhare, LandX and CrowdDana. However, two of the four platforms have the same concept, namely Santara and Bizhare. These two platforms open opportunities for MSMEs to offer their shares and raise funds. The CEO of Santara, Avesena Reza, stated that currently Santara has a system for channeling funds, an investor base, and a publisher. Strengthening this platform by strengthening risk management systems, portfolio management, and network distribution.
Santara is a digital platform that connects investors with profitable, accountable and sustainable MSME businesses that require investment. The funding system in Santara is that investors simply buy shares offered by the MSME business on the Santara platform, then investors will get passive income in the form of profit sharing or dividends distributed according to the projections in the prospectus offered during the listing or offering period of shares. Santara has several important roles in bringing together MSME investors and businesses, including:

a. Conducting selection for MSME businesses that want to get funding;
b. Provide an investment fundraising system (equity crowdfunding);
c. Providing a system for distributing MSME business profit sharing to investors;
d. Supervise the MSME business in order to carry out business operations and share the results according to agreements and agreements.

As of early April 2021, there have been 84 businesses from all over Indonesia that have registered on the Santara platform to get funding from investors or investors and there have been 273,000 investors who bought shares in MSMEs through the Santara platform. There is one of the 84 businesses that the author will examine in this study, namely Pak Min Chicken Soup. Pak Fiki said that the funding offer through equity crowdfunding collected through the Santara platform did play a role but was not very effective in increasing the competitiveness of Pak Min's Chicken Soup during the Covid-19 pandemic because funding from equity crowdfunding was only for adding cash reserves, renovating business premises, and extend the lease of the place of business. During the Covid-19 pandemic, Pak Min's Chicken Soup UMKM experienced a decrease in turnover of up to 30%, so the management of Pak Min's Chicken Soup carried out a marketing strategy by increasing the quality of selling via online such as online motorcycle taxis and advertising on social media. With an increase in the quality of marketing using online motorcycle taxis and advertisements on social media, it will increase sales of Pak Min's Chicken Soup business during the Covid-19 pandemic.

MSME Sop Ayam Pak Min has trusted the Santara platform as a medium for offering funding for businesses since 2018. Mr. Fiki chose Santara because basically equity crowdfunding uses a profit sharing system between MSME business publishers and investors so as to avoid usury. There are times when the profit sharing rate may not be in accordance with the projection, it can be smaller or bigger than the projection. Therefore, equity crowdfunding can be categorized as an alternative to financing other than through banking when MSMEs need funds, especially during the Covid-19 pandemic where banks are a bit shaken by the large number of bad loans so that the channeling of funds to finance businesses such as MSMEs is not a priority, and equity crowdfunding can become a shortcut because it focuses on MSME financing.

Impact of Equity crowdfunding on the Competitiveness of Pak Min's Chicken Soup The direct impact that was felt by MSME Sop Ayam Pak Min after obtaining equity crowdfunding funding through Santara was that the Sop Ayam Pak Min business had cash reserves to improve the quality of the business premises and extend the lease. Given that this Pak Min Chicken Soup UMKM is familiar in the community, especially the people of Yogyakarta and already has more than 60 branches in Indonesia. Pak Min's Chicken Soup business conditions are also running as usual in the midst of the Covid-19 pandemic. Pak Min Chicken Soup was able to survive and continue to expand and maintain the existence of the business in the midst of the pandemic. This is because Pak Min Chicken Soup has a responsibility to investors who invest their shares in Pak Min Chicken Soup on the Santara platform to continue to maintain business and always increase turnover in order to gain the trust of investors and potential investors.
Mr. Fiki Fernandez as the market leader for Chicken Soup Pak Min said that Pak Min's Chicken Soup had collected funds through the Santara platform application twice, namely on 22 September 2018 and 31 October 2019. On 22 September 2018, Pak Min Chicken Soup UMKM managed to get total shares of IDR 576,170,000 in less than 24 hours. Then Mr. Fiki trusted Santara as a platform for raising funds again on October 31, 2019. Unexpectedly, in less than 24 hours, Pak Min's Chicken Soup UMKM would get Rp 1,000,000,000 from 170 investors who trusted Pak Min's Chicken Soup MSMEs. This is inseparable from Pak Fiki's efforts to gain investor confidence by always improving financial reports for the last three years and paying attention to the funding targets for MSME projects, duration of funding campaigns, minimum investment amounts, payback periods, and rates of return.

As accountability for the offering of funds from equity crowdfunding, MSME Sop Ayam Pak Min distributed dividends to 172 investors in the offering on 22 September 2018 amounting to Rp 128,430,587 in three stages of dividend distribution and Sop Ayam Pak Min issued 115,234 shares at share prices. IDR 5,000. Then on the offer on October 31, 2019, Pak Min Chicken Soup UMKM gave dividends to 170 investors totaling Rp. 27,466,604 in the first stage, in which MSME Sop Ayam Pak Min issued 10,000 shares at a price of Rp. 100,000 per share. It is not without reason that Pak Fiki chose Santara as a medium to raise funds with equity crowdfunding. He said that with funding through equity crowdfunding, which is to avoid usury because the system used uses a profit sharing system by dividing profits to both parties and Pak Min Chicken Soup MSMEs can involve the community (investors) in helping introduce Pak Min's Chicken Soup business to other communities. After two times holding captive funding in Santara and feeling the success in it, in the near future Pak Fiki will again offer Pak Min's Chicken Soup shares in Santara.

The security of equity crowdfunding collected through Santara is also a consideration for investors because in its implementation it is contained in the contents of the agreement such as the agreement number; the date of the agreement; identity of the parties; provisions regarding the rights and obligations of the parties; the amount of funds to be deducted and the amount of shares to be owned; term or termination of the agreement; provisions regarding fines, if there are provisions regarding fines; dispute resolution mechanism; and a settlement mechanism in the event the Provider is unable to continue its operational activities (I Kadek Ade Safera, 2018). The success of equity crowdfunding can be measured by several factors. In this study, the target of funding for MSME projects, duration of funding campaigns, minimum investment amount, payback period and rate of return (Abdullah & Susamto, 2019). All of that was successfully worked on by Pak Min and Santara's Chicken Soup so that they attracted investors to invest. Investors who are literate towards the digital economy certainly have a harmonious view of which businesses will be funded, if there is a promising business, when they open a stock offering through equity crowdfunding, investors will certainly compete to finance it (Hornuf & Schwienbacher, 2018). Sop Ayam Pak Min has proven to be a business / UMKM that is able to be trusted by various investors because it has managed to raise funds as needed in less than 24 hours through equity crowdfunding on the Santara platform. MSMEs like Pak Min's Chicken Soup are indeed examples of MSMEs that have succeeded in obtaining equity crowdfunding so that they have more strength to survive during the Covid-19 pandemic. In essence, equity crowdfunding is felt to be able to save MSMEs during the Covid-19 pandemic if the policies carried out by MSMEs are wise and do not take wrong steps. So if other MSMEs are also trying to get funding through an equity crowdfunding platform, the growth and development of business
activities for small and medium enterprises will be rapid and help support the national economy (Irawati., SH., 2019).

IV. CONCLUSION

Table 1. Comparison of equity crowdfunding Mr. Min

<table>
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<tr>
<th>Indikator</th>
<th>Sop Ayam Pak Min</th>
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<tr>
<td>o. Before getting equity crowdfunding</td>
<td>Has &gt; 60 branches</td>
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<tr>
<td>o. After getting equity crowdfunding</td>
<td>Increased cash reserves, renovated outlets and used it to increase outlet lease extensions</td>
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Source: researcher interview with the owner of Chicken Soup Pak Min

From the table above, Pak Min's Chicken Soup is an example of MSMEs that were able to slightly increase their competitiveness in the midst of the Covid-19 pandemic through equity crowdfunding support with the Santara platform. The strategies applied by Pak Min Chicken Soup, such as trying to increase market share in online sales, improve service quality and cleanliness of the place and discounts or discounts can be done more or less and dare to take this step because it has safe cash reserves since getting equity crowdfunding funding from the platform. Santara. Even though it was hit by the Covid-19 pandemic, it does not mean Pak Min's Chicken Soup is dissolving in the economic recession that is haunting the business world. However, various efforts have been made by the two MSMEs in order to survive and increase competitiveness even though they had experienced a decline in turnover. Even Pak Min's Chicken Soup has a stronger incentive to increase competitiveness because of the responsibility towards investors who invest through equity crowdfunding.

The existence of equity crowdfunding is indeed considered appropriate as an alternative solution for MSMEs in maintaining their business in the midst of the Covid-19 pandemic, although more effort is needed to be able to get funding through equity crowdfunding, the results obtained will play a quite effective role for the future of the business if the allocation is the use of funds obtained can be used wisely and does not injure the trust that has been given by investors and always tries and innovates to continue to develop in order to answer investor confidence. Therefore, it is hoped that the equity crowdfunding platform can be an alternative solution for MSMEs in maintaining business in the midst of the Covid-19 pandemic in order to participate in stabilizing the national economy.

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