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## The Impact of Covid-19 on the Activities of the Small and Medium Micro Business Households (MSMES) In East Lombok District, West Nusa Tenggara Province

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**ABSTRACT :** This research takes the title "The Impact of COVID-19 on Home Industry Activities of Micro, Small and Medium Enterprises (MSMEs) in East Lombok Regency". The aim of this research is to analyze the impact of Covid - 19 on income and added value of household processed industries in Lombok Regency East. The research method was carried out by means of a survey by taking a sample of 60 respondent business units. The method used for sampling was snowball sampling by looking at the characteristics of the household industry. Most of the characteristics of the small household industry are doing their activities at the respondent's house and selling in crowded places that are densely populated and visitors in the city of Selong. The education level of respondents on average graduated from junior high school (SMP) and senior high school (SMA) with the lowest 3 years of business experience in the food processing industry and the highest 10 years. with an average length of time working more than 10 hours a day .. The average income earned by informal workers is below IDR 2,000,000, - as much as 46.67% and 30.33% of their income is above IDR 3,000,000. respondents averaged over Rp. 4,000,000, as much as 23%.

Overall analysis of MSME home industry businesses, as many as 5 businesses have low efficiency levels ( $R / C$  ratio  $< 1$ ), namely in the business and the rest of the respondents' businesses, the  $R / C$  ratio is  $> 1$ , economically the business is feasible to run. The average added value of MSME home industry businesses has a ratio above 50 ( $RNT > 50\%$ ), which means that the added value of several home industry businesses is categorized as high (range 51.58 to 86.46% highest) as many as 10 home industry business units. MSME processed ladder. Value Added Ratio (RNT) below 50% as many as 5 business units or 33.33% are categorized as having low added value, such as processed pancakes, wheat crackers, kementerian cakes, ginger sherbet and fried peanuts have added value ratios below 50% ( $RNT < 50\%$ ) means that industrial businesses managed by households have a low value-added ratio

To further increase the business income of the MSME household processed industry during the COVID-19 pandemic, especially increase the selling share of processed products by opening sales services through social media, digital systems via the internet (go food, go jek) so that their sales turnover will increase.

**KEYWORDS :** *Impact of COVID – 19 on Home Industry Business Activities in East Lombok District*

### I. PRELIMINARY

#### 1.1 Background

By the end of April 2020, the number of COVID-19 infections had surpassed 2.8 million cases worldwide, with the death toll approaching 195,000, and 210 countries and regions had been affected.<sup>1</sup> As a result, a growing number of national or local initiatives have been taken for the sake of prevent the spread of this deadly virus. While awaiting the discovery of a vaccine and its treatment, physical distancing remains the only way to break the chain of transmission and protect large sections

of the population. Therefore full or partial quarantine measures are currently being implemented worldwide, affecting more than 5 billion people. It is estimated that these measures will have a significant impact on 1.6 billion informal workers, with women being over-represented in the hardest-hit sectors.<sup>2</sup> Many women and men in the informal sector need income to support themselves and their families, considering that most of them cannot depend on compensation for income replacement or savings. Not working and staying at home means losing jobs and livelihoods. "Dying from hunger or from a virus" is a very real dilemma that many workers in the informal economy have to face. The sad thing is that we are talking about a large number of workers.

By 2020, more than 2 billion workers earn their income in the informal economy. This is 62 percent of all employed people worldwide. Informal employment represents 90 percent of total employment in low-income countries, 67 percent in middle-income countries and 18 percent in upper-income countries. Women are more exposed to the informal sector in low and middle-income countries, and are often in more vulnerable situations than their male counterparts. The same is true for informal enterprises, which make up eight out of every ten companies in the world. Informal enterprises are usually unregistered small-scale units, often employing ten or fewer low-skilled and unregistered workers, including unpaid family workers, especially women, who work in vulnerable conditions, without social protection or safety measures and health at work. They have low productivity, low savings and investment rates.

The development of agriculture-based industry (agro-industry) is strategic enough to be a priority by the Indonesian government, because this industry generally relies on agricultural resources that are perishable, bulky, seasonal in nature and simple in terms of technology. Agro-industry has a strategic role in fulfilling basic needs, expanding employment opportunities, empowering domestic production, earning foreign exchange, developing other economic sectors and improving the economy of rural communities. The structure of agro-industry in Indonesia is dominated by home industries with a share of around 90 percent of the total agro-industry. But unfortunately, the labor productivity of small-scale agro-industry is relatively small when compared to the productivity of large industries. This is due to various factors, including the relatively low level of education and skills of the workforce and the low level of technology (Supriyati and Suryani, 2006).

The development of the food processing industry in Indonesia which is supported by agricultural natural resources, both vegetable and animal, is capable of producing various processed products that can be made and developed from local or regional natural resources. Currently, in several Asian countries, many food products are derived from local food types and processed traditionally. With the development of these local products, the number and types of food products will increase in number (Soleh, 2003).

West Nusa Tenggara Province is a region that produces quite a lot of agricultural products besides rice, which is the national granary and other horticultural products. One district that has a high population with an area that is mostly agricultural rice fields is East Lombok district, which is one of the areas that has become a food barn for West Nusa Tenggara Province. The agricultural sector is still one of the leading sectors for this region, therefore it is not surprising that the agricultural sector is still the driving force in the rate of economic growth. Along with the development of information technology, private and government training centers are rapidly providing directions for the public to innovate agricultural products so as to generate added value. Processed agro-industries in an era of intense business competition are now a solution, especially for micro-scale entrepreneurs. The potential of natural resources owned by the regions is quite supportive both in terms of natural resources and human resources and even other production factors.

In the processed agro-industry in various sub-districts in East Lombok Regency, more precisely in Labuhan Haji District, MontongGading District, Pringgabaya District, Pringgasela District, Sakra District, Selong District, Sembalun District, Sikur District, Suralaga District, Suella District, and District Wanasaba. Producers in the processed agro-industrial activities are farmers, non-farmer communities with various professions taking part in the household scale processed agro-industry sector. However, in this case, it is not only in food products but also in processing which produces food products for the home industry of Micro, Small and Medium Enterprises (MSMEs) which are quite widely developed in East Lombok Regency. This research focuses on home industry business activities with the theme of related research on "The impact of COVID -19 on the home



industry activities of Micro, Small and Medium Enterprises (MSMEs) which process various kinds of processed products made from raw agricultural products. can increase household income and value added agricultural commodities. Therefore, it can increase home industry business income and per welfare

### 1.2 Problem Formulation

Referring to the background image above, several problems can be drawn, namely as follows:

- 1) What is the profile of the MSME household processing industry in Selong sub-district, East Lombok district during the COVID-19 pandemic.
- 2) What are the costs, revenues and profits from the household processing industry business in Selong District, East Lombok Regency?
- 3) What is the efficiency and added value of the household processed industrial business in Selong sub-district, East Lombok Regency?

### 1.3 Research Objectives

- 1) To find out the profile of MSME household industry businesses during the COVID-19 period in Selong sub-district, East Lombok Regency.
- 2) To analyze the costs, revenues and profits of the household processed agro-industry business in East Lombok Regency.
- 3) To analyze the efficiency of the household processed agro-industrial business in East Lombok Regency.

## II. REVIEW OF THEORY

### 2.1. Definition of MSME Home Industry

The definition of industry as meant here emphasizes more on business units that change the form of goods or in other words by carrying out a production process that does not emphasize the cumulative firms that produce similar goods / products. Small industries, which are included in the informal industry, generally have small-scale businesses located in urban areas as well as those at the rural level with relatively limited conditions (Rukmini; 2013).

In terms of quantity, this industry tends to increase, but it does not mean that there is nothing to do. Many have gone out of business, but many have also shown up. This is because the capital required is relatively small so that they are easy to enter but with unreliable abilities, it is as easy for them to leave or roll out.

Generally, the problems faced by small industry (IK) and Home Industry (IRT) are as follows:

#### 1. Poor in management.

In the current era, management is one of the keys to organizational success. Indeed, the management of small and medium industries will not be able to match management in large and medium industrial management, however, a leader is required to be able to manage a business, especially through his ability to manage other people in his organization. . Lack of ability in the field of management can have fatal consequences, especially the low level of efficiency.

Especially in terms of costs while cost efficiency is the main capital to compete in product selling prices, then then productivity is also low. Notes and or bookkeeping there is no simple information about the outflow of money, no control, relatively lacking and others.

#### 2. Low skill.

In IK and IRT which are labor intensive, labor skills are highly preferred because this will ultimately affect the ability to produce quality products. In addition, through relatively reliable skills accompanied

the ability to come up with several new ideas is expected to result in reliable product design and diversification.

#### 3. Relatively small capital.

Although from our point of view (not producers) capital is sometimes not the main problem, but the facts show that some small industry and home industry have problems in the financial sector. Want to seek loans from institutions is not biased because

do not have collateral while the level of business is felt to be small. After all, some and even all of this meager profit is used for family consumption / meals daily. As a result, future business development will be difficult to implement.

4. The entrepreneurial spirit of lace.

This situation is reflected through several observations in the field that show a lack of ideas / thoughts to face a bright tomorrow in their business. They tend to only produce then sell and after finishing these activities it means that their activities and thoughts are finished. Once the day-to-day circumstances he experienced. -Some of the producers of small industries and home industries (IRT) who are involved in this field are not because of their ability and foresight to seize opportunities, but only join in.

5. Judging from the type of product, not all small industries (IK) and IRT with the same potential to progress. There are certain types of products that can penetrate the market so that they go abroad, but many of them only produce to meet the surrounding market. As a result, some of the iK and IRT only survive and even close their businesses ..

6. In terms of sales activities, it seems that most of the IK and IRT business units work independently and there is almost no established business network that guarantees the smooth running of the business.

## 2.2. Understanding Agroindustry

According to Manalili (1996) and Sajise (1996), agro-industry is a phase of growth after agricultural development. So, after agricultural development followed by agro-industrial development then industrial development. Meanwhile, other experts (Soeharjo, Soekartawi, and the Agribusiness Agency of the Ministry of Agriculture) stated that agro-industry is the processing of agricultural products and is part of the six agribusiness subsystems that have been agreed upon, namely the subsystem of providing production facilities and equipment, farming, processing (agro-industry). , marketing, facilities and guidance (Soekartawi, 2000: 9). Agro-industry can be defined as two things. First, agro-industry is an industry with the main raw material of agricultural products. Agro-industry studies in this context emphasize food processing management in a processed product company whose main raw material is agricultural products. According to FAO, an industry that uses raw materials from agriculture with a minimum amount of 20% of the total raw materials used is called agro-industry. The second meaning, agro-industry can be interpreted as a development stage as a continuation of agricultural development, but before the development stage reaches the industrial development stage (Soekartawi, 2000).

According to Soekartawi (2000: 17), agro-industrial development is a continuation of agricultural development. If agricultural development is successful, then agro-industrial development will be successful. Vice versa. So that the agro-industry has a role in the national economy. The following is the role of agro-industry in the national economy:

- 1) Able to increase the income of agribusiness actors in particular and the income of the community in general.
- 2) Able to absorb labor
- 3) Able to increase foreign exchange earnings.
- 4) Able to grow other industries, especially rural industries.

## 2.2. Definition of Small and Medium Enterprises

The definition of Small Business according to Law Number 20 of 2008 is an independent productive economic business, carried out by an individual or a business entity that is not a subsidiary or branch of a company that is owned, controlled, or part of, either directly or indirectly. from medium-sized enterprises. Proceedings of the Downstream Research Seminar for Public Welfare, Medan State University Research Institute, 28 September 2017 449 or large businesses that have a net worth of more than IDR 50,000,000.00 (fifty million rupiahs) up to a maximum of IDR 500,000,000.00 ( five hundred million rupiah) excluding land and buildings for business; or have annual sales proceeds of more than Rp. 300,000,000.00 (three hundred million rupiah) up to a maximum of Rp. 2,500,000,000.00 (two billion and five hundred million rupiah). According to the small and medium business law of 2008, small businesses are productive economic enterprises that are independent,

carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or part of, either directly or indirectly. from a Medium or Large Business that meets the criteria for Small Business. The criteria for Small Business are as follows: • Having a net worth of more than Rp.50,000,000.00 (fifty million rupiah) up to a maximum of Rp. 500,000,000.00 (five hundred million rupiah) excluding land and buildings for business premises; or • Have annual sales revenue of more than Rp. 300,000,000.00 (three hundred million rupiah) up to a maximum of Rp. 2,500,000,000.00 (two billion and five hundred million rupiah).

In addition to the Central Statistics Agency (BPS), small and medium enterprises are synonymous with small industries and home industries. The Central Bureau of Statistics classifies industries based on the number of workers, namely: (1) home industries with 1-4 workers; (2) small industry with 5-19 workers; (3) medium-sized industries with workers 20-99 people; (4) large industries with 100 or more workers (BPS, 1995). The obstacles faced by small businesses are human resources, limited capital, marketing, distribution channels, procurement of raw materials and limited access to information on market opportunities. The capital used by small businesses comes from their own money / savings, as a result of complicated credit terms and high credit interest rates, it is difficult for small businesses to access credit from banks.

Problems in the procurement of raw materials are caused by various reasons, including the seasonal nature of agricultural products, a high level of diversity, an abundant amount of production at a time, perishable and perishable. In terms of marketing, entrepreneurs have not developed their products at standard quality and standards, the ability to design products is still low, the delivery is not quite right, and they have not been able to meet the quantity of products desired by consumers. At this time product competition is increasingly rampant, the matter of product quality is very important to highlight, the logical consequence is that the quality of the product can be shifted by the quality of other types of products. Another problem that is often faced by small and household businesses is the low ability to access capital sources, both in the Proceedings of the Downstream Research Seminar for Community Welfare Research Institute, State University of Medan, 28 September 2017.

### **2.3. Business Efficiency**

Efficiency is a method used in the production process by producing maximum output. Pressing the lowest possible production expenditure, especially raw materials, or can produce maximum production output with limited resources (Doll and Orazem, 1984).

Technical efficiency will be achieved if the entrepreneur is able to allocate factors of production in such a way that high yields can be achieved. Entrepreneurs increase their output by pressing the price of production factors, and selling their output at a high price, so the entrepreneur performs technical efficiency and price efficiency at the same time. Such situations are often referred to as economic efficiency. Entrepreneurs carry out in economic efficiency as well as make technical efficiency and price efficiency (Daniel; 2002).

The concept of efficiency from an economic aspect is called the concept of economic efficiency or price efficiency in the economic theory of production, generally using this concept. Viewed from the concept of economic efficiency, the use of production factors is said to be efficient if it can generate maximum profit. To determine the optimum level of production according to the concept of economic efficiency, it is not enough just to know the production function. There is another condition that must be known, namely the ratio of input output prices (Hanani: 2011).

According to Miller and Meiners (2000), technical efficiency requires or requires a production process that can take advantage of fewer inputs to produce the same amount of output. A producer will be technically more efficient than other producers if it is consistently able to produce a higher product using the same production input.

The household processed agro-industrial business in East Lombok Regency is a business that applies simple management, where the management of the business is very much dominated by the agro-industry business owner itself. The efficiency of the agro-industrial business can be seen when the business can manage the efficient use of production facilities. The level of efficiency can be used as a benchmark in the management of production facilities during the product manufacturing process. When a business is technically efficient, the business income will increase. This production activity

obtains revenue, namely by multiplying the total production by the production price. The results of the calculation of revenue are then deducted by the total cost to obtain revenue.

#### 2.4. Value Added Theory

Agricultural commodities are generally produced as raw materials and are easily damaged, so they need to be directly consumed or processed first. This processing process can increase the use of agricultural commodities. The willingness of consumers to pay the price of agro-industrial output at a relatively high price is an intensive for processing companies to produce agro-industrial output. This agro-industrial activity increases the use of agricultural commodities which require processing costs. One of the concepts often used to discuss the processing of this agricultural commodity is added value (Sudiyono, 2002: 147).

The balance of consumers due to downstream agro-industrial activities can be explained by the attribute method. The attribute method explains that consumers derive the utility of an item from the attributes attached to the item. The balance of consumers in the food consumption process is influenced by income, the price of goods per unit and the attribute rating. Consumers pay attention to the attributes of food safety, nutrition, value and packaging / packaging. Based on research conducted, consumers are willing to pay for processed products that are more expensive than unprocessed products because consumers can achieve higher levels of satisfaction than before. Therefore, processing can shift the desires of consumers who initially choose unprocessed products to processed products so that processors can increase added value (Sudiyono; 2002).

According to Hayami (1987) in Soediyono (2002), there are two ways to calculate added value, namely additional value for processing and added value for marketing. Factors affecting added value for processing can be categorized into two, namely technical factors and market factors. The technical factors that influence are production capacity, the amount of raw materials used and labor, the price of raw materials and other inputs besides fuel and labor.

The amount of added value because the processing process is obtained from a reduction in the cost of raw materials and other inputs to the value of the product produced, excluding labor. In other words, added value describes the rewards for labor, capital and management. Mathematically it can be described as follows (Sudiyono, 2002: 149-150):

$$\text{Value added} = f(K, B, T, U, H, h, L)$$

Where :

K: Production capacity B = raw materials used T: = labor used

U = wages of labor; H = price of output; h = price of raw materials

L = other input values (value and all sacrifices that occur during the treatment process to add value)

### III. RESEARCH METHODOLOGY

#### 3.1 Types of Research

This research uses descriptive analysis method, which is to examine the status of human groups, an object, a set of conditions, a system of thought or a class of events in the present (Nazir; 2011). The descriptive method describes the events in a systematic, factual and accurate manner regarding the facts, characteristics and relationships between the phenomena under study. This study aims to create a systematic, factual and accurate picture or painting of the home industry (UMKM) in Selong District, East Lombok Regency.

#### 3.2 Place and Time of Research

This research was conducted in East Lombok Regency by taking the object of research are entrepreneurs in the field of household scale processed agro-industry (UMKM). The reason for determining the research location in Selong sub-district is in the capital city of East Lombok which is the center of the crowd and trade so that the products of this home industry are fast to be marketed or sold.

#### 3.3. Method of collecting data

This research was conducted using a survey method by taking a sample of 60 household industry business respondents in East Lombok Regency from three randomly selected sub-districts, namely



Selong sub-district, Pringgabaya district and Suela sub-district. . Because the population size is not known, nonprobability sampling technique is used, namely by taking as many as 60 respondents from small home industry businesses (home industry). The method used for sampling is snowball sampling. Snowball sampling technique (snowball) is a sampling method in which the sample is obtained through a rolling process from one respondent to another respondent. Sampling with this method can be done by looking for samples of the desired population, then from the sample obtained, the participant is asked to select the community as a sample again. So on so that the desired sample size is met (Arikunto; 2006)

#### 3.4. Types of Data and Data Collection Techniques

The type of data used is secondary data, primary data. Primary data obtained from direct interviews with respondents using a questionnaire. Primary data taken includes: the identity of the respondent (name, age, gender, education, dependents, length of business, and address), data on business characteristics, data on financial aspects, data on production costs, and data on production processes. Data collection techniques by making observations and interview methods that are guided by a list of questions that have been prepared.

### 3.5 Data Analysis Model

The data analysis used in this research is qualitative and quantitative analysis. Qualitative analysis is used to get a picture of the condition of the household processed agro-industry business. Quantitative analysis is used to see the business analysis and some of the calculations carried out in this study. quantitative analysis in the form of analysis of the average depreciation value of equipment, production costs, production value, profit, profitability, analysis of business efficiency and added value.

#### 3.5.1 Depreciation of Equipment

Depreciation of equipment is the decrease in value of the equipment over a certain period of time. The depreciation expense for equipment is calculated using the straight-line method with the following formula:  $Penyusutan = HP - NS / Umur$  Economical Information:

HP = acquisition value or equipment purchase value (Rp)

NS = Residual Value (Rp)

UN = Economical Age (years)

#### 3.5.2 Production Costs

Production costs in the processed agro-industry business consist of variable costs (variable costs) and fixed costs (fixed costs). Variable costs (variable cost) consist of the cost of purchasing raw materials, purchasing of supporting materials, labor, and fuel. Fixed costs consist of equipment depreciation costs, production forging rental costs, water costs and electricity costs.

Total cost is the sum of total fixed costs (TFC) and total variable costs (TVC). The total cost formulation is as follows:  $TC = TFC + TVC$

Information:

TC = Total cost of household processed agro-industrial business (Rp / month)

TFC = Total fixed costs of household processed agro-industry business (IDR / month)

TVC = Total variable cost of household processed agro-industry business (IDR / month)

#### 3.5.3 Production Value

According to BPS, the value of production is the value of a commodity produced by the production sector, usually the product of the multiplication of the quantity of production and the price per unit of the commodity. In this study, the production value is equated with the value of income or business income from household processed agro-industry for 1x production.

Total revenue (total revenue) from a business can be obtained from the multiplication of the amount of production produced and the selling price of the product. Mathematically, acceptance is written with the formula:

$$TR = P \times Q$$

Where :

TR = Total Revenue (total UMKM Home Industry Business revenue in IDR)

P = product price (Rp)

Q = amount of production (units)

### 3.5.3. Profit and Profitability

The profit from the household processed agro-industry business is the final result of revenue minus the total cost of production. Mathematically, profit is written with the formula:  $\pi = TR - TC$

Information:

$\pi$  = Profit (Rp / month)

TR = Total Revenue (IDR / month)

TC = Total Cost (IDR / month)

Meanwhile, profitability is the ratio between the profit from sales and the total cost which is expressed as a percentage. Mathematically it can be formulated as follows:

$$\text{Profitabilitas} = \pi / TC \times 100\%$$

Information:

$\pi$  = Profits from household processed agro-industry business (Rp / month)

TC = Total cost of household processed agro-industry business (Rp / month)

According to Gasperz (1999) in Budiman, et al (2012) the criteria used in the profitability assessment are:

Proofability > 1, means that the home industry undertaken is profitable and feasible to run

Proofability = 0, which means that the home industry that is being attempted to experience a Break Even Point (BEP) is neither profitable nor loss

Proofability < 1, means that the home industry that is being cultivated is not profitable and is not economically feasible to run

### 3.5.4. Business Efficiency Analysis

The calculation of business efficiency used is the Revenue Cost Ratio (R / C Ratio). R / C Ratio is the ratio between revenue and cost. Mathematically it can be written as follows:

$$\begin{aligned} RC_{\text{ratio}} &= \text{TotalPenerimaan (TR)} / \text{TotalBiaya (TC)} \\ &= TR / TC \end{aligned}$$

Where:

If  $R / C > 1$ , the agro-industry business is profitable to run.

If  $R / C < 1$ , then the agro-industry business is not profitable to run.

If  $R / C = 1$ , the agro-industry business breaks even, that is, the business provides the same amount of revenue as the amount spent.

### 3.5.5. Value Added Analysis

According to Hayami Y (1987) there are two ways to calculate added value, (1) value for processing and; (2) added value for marketing. The factors that affect the added value for processing can be grouped into two, namely technical and market factors. Technical factors that influence are product capacity, the amount of raw materials used and labor, while market factors that influence are output prices, labor wages, raw material prices and the value of other inputs besides raw materials and labor.

The basis for calculating the value added analysis is per kg of yield, the standard price used for input / raw materials and production at the processing / producer level.

1. Value Added Analysis with the following formula (Sudiyono; 2004)

$$NTp = Na - Ba \dots\dots\dots Ba = (Bb + Bp + Bbp)$$

Information :

NTp = Value Added Product (Rp)

Na = Value of the Final Product (Rp)

Ba = Intermediate cost (Rp)

Bb = Cost of raw materials (Rp)

Bp = equipment depreciation cost (Rp)

Bbp = Cost of supporting materials (Rp)

**Value Added Ratio (VAR) = NT / NP**

Where:

VAR = Value added ratio (%)

NT = Value Added (Rp)

NP = Production Value (Rp).

**Information :**

- a. If the Value Added Ratio is > 50%, then the added value of the processed product is high
- b. If the Value Added Ratio < 50%, then the added value of the processed product is low

#### IV. RESULTS AND DISCUSSION

##### 4.1. Description of MSME Home Industry Business in East Lombok

In accordance with the results of the mapping of micro, small and medium enterprises in cooperation with the NTB Provincial UMKM Cooperative Office with the NTB Provincial Statistics Agency in 2005, the number of MSMEs was 392,162 units (excluding the agricultural sector) with a workforce absorption of 508,636 units, while data for 2006 according to NTB in numbers (BPS) the number of MSMEs was 544,607 units, in 2015 it increased by 1,080 units, which came from New Entrepreneurs so that the number of MSMEs per December 2015 was 645,788 units, and up to 2016 increased by 1,200 units from New Entrepreneurs so that The number of MSMEs up to 2016 amounted to 646,988 units, in 2017 as many as 648,827 and in 2018 as many as 648,987 as shown in table 38.

The development of small and medium entrepreneurs is a very strategic step to be developed in order to strengthen the structure of the national economy in increasing people's income. The success of developing micro, small and medium enterprises is very much determined by the optimal utilization of available resources such as the utilization of natural resources and improving the quality of human resources for MSME managers, integrated guidance from the government and community support. Besides that, in order to develop a more efficient and effective way, it is necessary to participate / coordinate the existing small and medium entrepreneur associations. Details of the number of Micro, Small, Medium and Large Enterprises in West Nusa Tenggara per Regency / City, Development

MSMEs in East Lombok Regency 2015-2018 The following is the data on the development of Micro, Small and Medium Enterprises in East Lombok Regency from 2014 to 2018:

	2014	2015	2016	2017	2018		
East Lombok			144,171	160,790	161,078	161,254	161,261

East Lombok Regency is a district that has the potential for abundant agricultural products, this can be seen from the average occupation of the community as a farmer. The production of agricultural products in East Lombok Regency which is quite a lot has led to the emergence of various agro-industrial processed agricultural products both into semi-finished products and into products that are ready for consumption. These processed products can increase the shelf life and higher selling value compared to fresh agricultural products. From existing data every year Micro, Small and Medium Enterprises (MSMEs) in East Lombok district have increased from 144,171 business units to 161,261 in 2018.

East Lombok Regency is a district that has the potential for abundant agricultural products, this can be seen from the average occupation of the community as a farmer. The production of agricultural products in East Lombok Regency which is quite a lot has led to the emergence of various household industries that process agricultural products into processed products that are ready to be consumed and sold to consumers.

## 4.2. Impact of COVID - 19 on Home Processed Industrial Products

The Covid-19 pandemic in general has a broad impact on the social life of people's households, especially in home industry business activities that process agricultural products into processed food products that are ready to eat or ready for consumption. Household business activities

When viewed from the production process of the home industry business, it is generally carried out in each business owner's house with a variety of simple manual equipment. The manufacturing process to become a processed product requires production input in the form of production facilities, equipment, and labor. In the production process, production costs are required. Production costs can be divided into two, namely explicit and implicit costs. Explicit costs such as costs of production facilities, outside labor (TKLK), other costs and equipment depreciation costs. Implicit costs include interest on own capital, rent on one's own premises, and family labor (TKDK).

Furthermore, products that have been produced will be marketed at a predetermined price so that revenue will be obtained as a result of the multiplication between the amount of production and the price. The processing agro-industry in East Lombok Regency has a micro and small scale. In addition, the number of product requests is not always fixed. Demand remains on weekdays, but due to the pandemic at this time demand has decreased for some products (not all products) so that the amount of production has decreased. Therefore, this study aims to see the added value and efficiency of the household processed agro-industry in the COVID-19 Era in East Lombok Regency.

Household processed agroindustry business in East Lombok district

### 4.2.1 Production Costs

The production cost of household processed agro-industry business per month is the sum of variable costs per month and fixed costs per month. Included in the variable costs of household processed agro-industry business are labor wages, raw material costs, auxiliary materials costs, and fuel costs. Labor wages are included in variable costs because most household processed agro-industrial enterprises in East Lombok use a one-time piece-rate wage system. Labor wages are not a monthly fee, but depend on the intensity of production. Furthermore, what is included in fixed costs are depreciation costs, rent, water costs, and electricity costs.

The amount of production costs depends on what production is carried out and what materials are used. The agroindustry of processing traditional ready-to-eat food with the highest total cost is Rp. 78,139,792, - / month. Most of these costs are used to purchase main raw materials and other supporting materials. Apart from purchasing raw materials, the amount of production costs also depends on the scale of production. The ginger sherbet processing agro-industry business also has a high production cost, namely Rp. 46,571,333, - / month. This agro-industrial business is a small and medium scale business because it produces to meet consumer demand in and outside the district. Meanwhile, the household processed agro-industry business with low production costs, namely in the range of IDR 1,000,000 to IDR 2,000,000 is a micro-business that is run only to meet daily needs. Raw materials for production are also relatively cheap and easy to obtain.

On average, the total cost of household processed agro-industry business in East Lombok is IDR 12,004,081 / month. With details of the total variable cost (variable cost) of Rp.8,905,567, - / month and the total fixed cost (fixed cost) of Rp. 98,515, - / month.

### 4.2.2 Production Value

Production value is the value of a commodity produced by the production sector, usually the product of the product quantity (Q) and the price per unit (P) of the commodity. The definition of production value is the same as the definition of total revenue, namely the total revenue value obtained from the multiplication of the amount of production produced (Q) and the selling price of the product (P). However, the production value per month is not the same as the total revenue per month. Because in reality, not all of the products produced are sold in one month, especially non-food and beverage products. This fact can be ruled out and it is assumed that all products sell well in one month.

The household processed agro-industrial business in East Lombok which has the highest production value is the ginger sherbet business of IDR 62,400,000 / month. Meanwhile, from the non-food and beverage sector, the business that has the highest production value is the traditional knife business, amounting to Rp. 93,000,000 / month. There are also businesses with production values ranging from



tens of millions. These businesses are generally businesses that are in full production in one month, which is between 20-30 times per month or businesses that are intended for entrepreneurship. Therefore, it has a large enough production value. Meanwhile, businesses that have a production value of hundreds of thousands to millions are micro businesses that produce less than 20 times per month. These businesses are usually micro-scale businesses run by housewives.

If the average production value of household processed agro-industry business in East Lombok is IDR 13,616,093 / month. If the production value is equal to the total revenue, then the household processed agro-industry business in East Lombok can be categorized as a micro business because the total income is less than Rp. 300 million per year.

#### 4.2.3 Profit and Profitability

Profit is the difference between total revenue and total cost. Meanwhile, profitability is the percentage of profit from the amount of production costs. The greater the profitability of the home processing industry business, the greater the profitability.

The average income earned by informal workers is below Rp. 2,000,000, - as much as 46.67% and 30.33% of the income is above Rp. 3,000,000, - while the average respondent's income is above Rp. 4,000,000, as much as 23% . Household processed agro-industrial businesses in Selong sub-district, East Lombok district, with varying profits, ranging from IDR 2,000,000 a month to IDR 4,000,000 per month. The difference in profit received depends on the type of product and the selling price of the product produced by the home industry in making processed food products generally. Such as wet snacks, with an estimated average profit per month of Rp. 4,553,104, - and an average income of Rp. 2,500,000 per month for crackers or chips. Household processed agro-industrial businesses such as wet snacks, french fries, cilok meatballs, and other businesses that use simple raw materials, simple production processes and full production intensity per month have great potential benefits and profitability. Meanwhile, in fact, there are agro-industrial processed industries in Selong sub-district, East Lombok district, which also suffer losses. Losses are experienced because the selling price does not pay attention to the total costs in production. Which means that the set selling price is not calculated properly.

#### 4.2.4 Business Efficiency

The household processed agro-industrial business in East Lombok Regency is a business that applies simple management, where the business management is very much dominated by the business owners themselves. The efficiency of the agro-industrial business can be seen when the business can manage the efficient use of production facilities. The level of efficiency can be used as a benchmark in the management of production facilities during the product manufacturing process. When a business is technically efficient, the business income will increase. This production activity obtains revenue, namely by multiplying the total production by the production price. The results of the calculation of revenue are then deducted by the total cost to obtain revenue.

The efficiency of household processed agroindustry business can be determined from the Revenue Cost Ratio (R / C Ratio). R / C Ratio is the ratio between revenue and cost. The greater the R / C ratio (greater than 1), the more profitable the agro-industry business is to be cultivated.

Not all household processed agro-industrial businesses in East Lombok have an efficiency of  $> 1$ . However, most of the household processed agroindustry businesses in East Lombok have an efficiency or R / C ratio  $> 1$ , which means that most businesses are efficient and profitable to run. Household processed agro-industrial business with the highest R / C ratio is the wet snack processing business. The efficiency of this business is high because it can process flour and other supporting materials into various kinds of wet snacks with high selling value.

Meanwhile, there are several household processed agro-industrial businesses in East Lombok that have an efficiency or R / C ratio of  $\leq 1$ . These efforts include processing spinach chips, flour crackers, temerodok cakes, pancakes, purple sweet potato chips, pillow snacks, banana chips,. These efforts are considered inefficient because in determining the selling price the producer does not carefully calculate the total production cost. So that the total revenue (total revenue) is smaller than the total cost (total cost). If the calculation of costs is not carried out carefully and the selling price is not increased, then the business is not profitable to run.

### 4.3. Added Value of Household Processed Agroindustry Business

Value added is the difference between production value (sales of products) and intermediate cost (cost of raw materials and other input costs that support the production process other than labor costs). The added value arises because there is a processing process that allows the product to be stored longer. Other auxiliary materials are also added in the production process. Based on the value added analysis carried out, it can be seen how much added value is generated from the processing of agricultural products into products in the agro-industry in East Lombok Regency.

Agro-industry is one of the industries capable of providing value added for agricultural products. Analysis of the processing of agricultural products is carried out in a simple way, namely by calculating the added value per kilogram of raw materials for one production process. Value added is the difference between the output value and the cost of input materials and processing. This study aims to determine the added value of each household agro-industrial business processing process in East Lombok using the Hayami method. Value added analysis is useful for estimating remuneration received by agro-industrialists.

The following is a table of the results of the calculation of added value and the ratio of added value from the processed agro-industrial business of MSME households in East Lombok Regency in November 2020.

**Table.4.2. Added Value and Value Added Ratio of Household Processed Agroindustry Business in East Lombok Regency (From 60 respondents with a classification of 15 types of business).**

**No Type of Business Value Added (NT) Ratio of Value Added Business Efficiency**

1 Serabi	14,856	49.52%	Low
2 Bakso Cilok	241,680	81.03%	High
3 Onion Cake	119,550	69.64%	High
4 Cassava Chips	16,139	62.57%	High
5 Fried Bananas	33,583	73.01%	High
6 Wet Snacks	352,853	98.0%	High
7 Bamboo Fence	320,000	86.49%	High
8 Banana Chips	36,738	64.75%	High
9 Wheat Crackers	11,950	39.0%	Low
10 Kemerodok cake	66,650	46.50%	Low
11 Aren Coffe Lombok	190,112	70.98%	High
12 Rengginang	22,875	71.50%	High
13 Ginger Sherbet	34,154	34.60%	Low
14 Batagor	77,750	51.58%	High
15 Fried Peanuts	18,720	46.80%	Low

**Source: Research Data (2020)**

Not all household processed agro-industrial businesses in the Selong district of East Lombok have positive added values. Based on table 4.2, the calculation of added value and value added ratio of household processed agro-industry business in Selong sub-district, East Lombok Regency in November 2020 the data above shows that businesses that have added value and the ratio of added value to household processed agro-industrial business are the highest and above 50%. ( $RNT > 50\%$ ), namely cilok meatballs, onion cakes, cassava chips, fried foods, bamboo fence wet snacks, banana chips, Lombok palm coffee and rengginan are in the category of added value which is categorized as high. Meanwhile, other household industrial uses such as processed pancakes, flour crackers, kemerodok cakes, ginger sherbet and fried peanuts have an added value ratio of below 50% ( $RNT < 50\%$ ) which means that industrial businesses managed by households have a low added value ratio and this is because does not take into account the input costs incurred with the results received from the sale of the product in the sense that the price of the product being sold is too low so that it cannot cover production costs. Economically, this home industry business is inefficient from the calculation of the  $R / C$  ratio below or  $< 1$ , meaning that this business is not feasible to run. However, because this business is a household business that is managed together with family members, they continue to produce even though the income they earn is small and can pay for daily living expenses in addition to other income received by the household.

The results of the analysis of several household processed agro-industrial businesses that experience negative added value, this means that the production process makes the output value decrease. MSME household processed agro-industrial businesses that experience negative added value should further increase the usefulness of the inputs used with the product produced and the selling price, so that it will increase the added value of the product and the value-added ratio of the percentage will increase.

## V. CONCLUSIONS AND SUGGESTIONS

### 5.1. Conclusion

From the results of the discussion in this study, several conclusions can be drawn related to the activities of MSME household industrial businesses in Selong sub-district, East Lombok Regency in the era of COVID-19 as follows:

1. The profile of MSME home industry businesses in East Lombok Regency during the Covid - 19 era was mostly still producing and most of them were engaged in the food processing industry whose raw materials used agricultural products and this business was managed by the respondents themselves.
2. Studies on production and production costs if linked to the income received by the MSME home industry business are still low, namely the range between Rp. 2,000,000 to Rp. 4,000,000, - a month, with the efficiency level of several business units being low, namely below one (R / C ratio <1), this business is not economically feasible to run.
3. Household industrial businesses, or 67% of the respondents, have the highest added value of processed household agro-industry business and above 50% (RNT > 50%), namely cilok meatball, onion cake, cassava chips, fried food, hedge wet snacks bamboo, banana chips, Lombok coffee palm and rengginan are in the high added value category.

### 5.2. Suggestion

1. To increase business income in the Covid -19 era, it is necessary to make product variations that are more desirable to the consumer market by adding new variants that have a high selling value and by using social media to sell their products.
2. Economically, this home industry business is inefficient, and it is necessary to carry out careful and precise business calculations in order to avoid losses in its business.
3. Several business units of processed home industries have added value which is quite high and in the future, the use of inputs can be increased to provide high added value.

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