

TRADE SECTOR CHALLENGES, OPPORTUNITIES AND STRATEGIES IN EAST JAVA PROVINCE DURING THE COVID-19 PANDEMIC

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Abstract: The Covid-19 pandemic is sweeping the world, and Indonesia is one of the countries affected. Indonesia is combating Covid-19 by converting its regional quarantine (lockdown) policy into large-scale social restrictions (PSBB) that are local in nature and vary depending on the severity of the province, district, or city. During the pandemic, the global economy and Indonesia both slowed. According to the government and strategic assessment institutions, Indonesia's growth will be low, if not negative, in 2020. Nobody knows when this pandemic will end. Various problems that have begun to emerge are the latest challenge for the government to improve the country's economic stability. Because of this, As a result, the East Java Provincial Government is attempting to implement a number of economic strategies in order to avoid a prolonged crisis, particularly in the industrial and trade sectors.

Keywords : *challenges, opportunities, strategies, and the Covid-19 pandemic.*

1. Introduction

The year 2020 will be a tough challenge for the world. The outbreak of COVID-19 has affected global economic conditions, especially in the trade sector in East Java Province as a result of the epidemic control policy through restrictions on the movement of people and goods implemented by the Indonesian state. In line with the global economy, the dynamics of the economy of East Java Province throughout 2020 to mid-2021 are also affected by the COVID-19 pandemic. Industrial activity throughout 2020 was quite restrained and grew significantly, compared to the previous year. Thus, strategic steps are needed to increase economic growth during this Covid-19 pandemic.

Overall in 2020, East Java's GRDP in 2020 experienced a contraction compared to last year which grew to 5.52% (yoy). The slowdown occurred in almost all components of demand due to the COVID-19 pandemic and resulted in a decline in private consumption, government consumption, investment, and net exports between regions. The COVID-19 pandemic has also put pressure on the building and construction investment sector due to the reallocation and refocusing of government budgets as well as the rescheduling of government and private projects due to the policy of restricting economic activity. However, various assistance from the Government for the targeted industrial and household sectors (pre-prosperous and affected by COVID-19) is suspected to be able to withstand a deeper slowdown in consumption. From the supply side, the COVID-19 pandemic has had an impact on the slowdown in the performance of almost all East Java LUs, including the five main

East Java LUs, namely Manufacturing Industry, Trade, Construction, Agriculture and Accommodation and Food and Drink.

The East Java economy in the first quarter of 2021 is estimated to increase compared to the fourth quarter of 2020. From the demand side, the increase in the East Java economy in the first quarter of 2021 is estimated to come mainly from the increase in net exports between regions. From the supply side, improvement is expected to come from the improvement in the performance of the LU for the Manufacturing, Trade, Construction and Provision of Mamin Accommodation in response to increasing domestic and global demand in line with the ongoing COVID-19 vaccination which has pushed the opening of productive economic sectors more broadly. East Java's economic performance in the fourth quarter of 2020 improved compared to the previous quarter although it was still contracting. Improved performance on the demand side was driven primarily by private consumption and net exports between regions. Meanwhile, from the supply side, the increase mainly came from the increase in the performance of the main Business Fields, namely the Manufacturing Industry, Trade, and Accommodation and Food and Drink compared to the previous quarter.

East Java inflation in the fourth quarter of 2020 was recorded at 1.44% (yoy), higher than the third quarter of 2020 which was 1.30% (yoy), mainly driven by inflation in the Food, Beverage and Tobacco category. The demand for food ingredients has been observed to increase along with the momentum of the Christmas and New Year holidays. High rainfall and pest attacks which are suspected to have disrupted the production of agricultural commodities were also factors driving inflation in the fourth quarter of 2020.

The government expenditure budget in East Java in 2020 is Rp. 202.5 trillion, a decrease of 10.00% (yoy) compared to the post-change 2019 budget. Based on the nominal and its share, the Regency/City APBD dominates the government spending budget in East Java (Rp. 102.76 trillion, 50.75% share, followed by the State Budget for East Java (Rp65.17 trillion, 32.18% share), and the lowest is the East Java Provincial Budget (Rp34.57 trillion, 17.07% share). In the fourth quarter of 2020, the total realization of government spending reached 90.11% of the budget ceiling and was higher than the fourth quarter of 2019 (83.39%). The highest realization occurred in the East Java Provincial APBN (95.04%) followed by the Provincial APBD (93.41%) and the lowest was in the Regency/City APBD which only amounted to 85.88% of the budget ceiling. The increase in realization in 2020 is in line with the acceleration of the realization of social assistance spending to minimize the impact of the COVID-19 pandemic on people's welfare.

Thus, extra in-depth attention is needed to achieve economic stability in the industrial and trade sectors in East Java during the COVID-19 pandemic. The need for a strategy as a form of government concern so that economic growth continues to run well in order to achieve people's welfare.

Theoretical Basis

Strategy

A. Definition of Strategy

Strategy comes from the Greek word *strategos*, which means general. Therefore the word strategy literally means "Art and General". This word refers to what is the main concern of the top management of the organization. Specifically, strategy is the placement of the company's mission, setting organizational goals by binding external and internal forces, formulating certain policies and strategies to achieve goals and ensuring their proper

implementation, so that the main goals and objectives of the organization will be achieved (Syafi'i Antonio, 2001).

Strategy is an overall approach that deals with the idea, planning, and execution of an activity over a certain period of time. In a good strategy there is coordination of the work team, has the theme of identifying the supporting factors in accordance with the principles of rational implementation of ideas, efficiency in funding and having tactics to achieve goals effectively (Fandji Tjiptono, 2000).

Strategy shows the general direction to be taken by the organization to achieve its goals. This strategy is a grand plan and an important plan. Every organization to achieve its goals. This strategy is a grand plan and an important plan. Every well-managed organization has a strategy, even if it is not explicitly stated. Regarding the following definition of strategy, several definitions will be mentioned: 1) According to Alfred Chandler, strategy is the setting of goals and direction of action as well as the allocation of resources needed to achieve goals; 2) According to Kenneth Andrew, strategy is a pattern of goals, aims or objectives of policies and plans. An important plan for achieving that goal is stated in such a way as to define the business to be followed and what type or type of organization the organization will be; 3) According to Buzzel and Gale strategy is the key policies and decisions used for management, which have a large impact on financial performance. These policies and decisions usually involve important resources and cannot be easily replaced (Agustinus Sri Wahyudi, 1996); 4) According to Konichi Ohinea, business strategy is competitive advantage, the sole purpose of planning is to obtain, as efficiently as possible, the last position that can be maintained in the face of its competitors. So, corporate strategy is an effort to change the company's strength in proportion to the strength of its competitors, in the most efficient way; 5) According to Griffin, strategy is a comprehensive plan to achieve organizational goals (Pandji Anoraga, 2009).

Strategy is the most important factor in achieving company goals, the success of a business depends on the ability of leaders who can formulate the strategies used. The company's strategy is very dependent on the company's goals, circumstances and the existing environment.

B. Types of Strategy

a) Market penetration strategy

Market penetration or market penetration is the company's effort to increase the number of customers both in quantity and quality in the current market through active promotion and distribution. This strategy is suitable for markets that are growing slowly.

b) Product development strategy

Product development strategy is an effort to increase the number of consumers by developing or introducing new company products. Innovation and creativity in product creation is one of the main keys in this strategy. The company is always trying to update or introduce new products to consumers. The company continuously explores market needs and strives to meet market needs.

c) Market development strategy

Market development strategy is one of the ways to bring products to new markets by opening or establishing new branches or subsidiaries that are considered strategic enough or cooperating with other parties in order to absorb new consumers. Management uses this strategy when the market is congested and the increase in market share is very large or competitors are strong.

d) Integration strategy

The integration strategy is the final choice strategy that is usually taken by companies experiencing severe liquidity problems. Usually what will be done is a horizontal diversification strategy, namely the merger of companies.

e) Diversification strategy

The diversification strategy is both concentration and conglomerate diversification. Diversification is meant here is the company focuses on a particular market segment by offering various variants of the company's products owned. Meanwhile, conglomerate diversification is banking that focuses on providing various variants of the company's products to the conglomerate group (corporate).

2. Research Methodology

In this study using a qualitative descriptive approach, and the type of research used is library research, namely collecting data or scientific papers related to the object of research or collecting data that is library in nature. And the study carried out to solve a problem critically and in depth on library materials that are relevant to the research. According to M. Nazir (2002:27), literature study is a data collection technique by using a study of books, literatures, notes and reports that have to do with the problem to be solved.

According to M. Nazir, Literature Study is an important step in research, where after a researcher determines the research topic, then the next step is to conduct a study related to the theory of the research topic. Researchers must collect as much relevant information as possible from the literature related to library sources that can be obtained from books, journals, magazines, research results and other sources that are in accordance with the research theme. If the relevant literature has been obtained, it is immediately compiled regularly for use in research. Therefore, the literature study includes general processes such as systematically identifying theories, finding literature and analyzing documents that contain important information related to the research topic.

3. Results and Discussion

There are several problems experienced by various types of industrial sectors that spread throughout the East Java Province during the covid-19 pandemic and the settlement efforts made so that the economic growth of East Java Province remains stable, including:

A. Large Industries:

The main problems being faced include:

1. Raw and auxiliary materials for production, especially those through the import route
2. Export product market access
3. The production process is interrupted

Efforts to solve the above problems, among others:

1. Acceleration of the import substitution industry
2. Industrial supply chain restoration
3. Development of domestic and foreign promotion

In carrying out the settlement efforts that have been planned above, various activities will be carried out, in the form of: 1) Data collection and analysis of substitution of imported raw materials; 2) Analysis of industrial supply chain recovery; 3) Business matching with ITPC of export destination countries; 4) Dissemination of export & import policies; 5) Implementation of SKA Online.

B. Medium Industry :

The main problems being faced include:

1. Difficulty of raw materials
2. Access to capital and financing is constrained
3. Competence of human resources (HR)
4. Product marketing access
5. Product standardization

Efforts to solve the above problems, among others:

1. Easy access to capital
2. Machine restructuring
3. Improved product standardization
4. Improved promotion

In carrying out the settlement efforts that have been planned above, various activities will be carried out, in the form of: 1) Development of industrial centers; 2) Promotion and Trade Missions; 3) Increasing Human Resources and Production Capacity; 4) Industry assistance in the implementation of the “new normal”; 5) Standardization of industrial products; 6) IOMKI Supervision / Assistance

C. Small Industry:

The main problems being faced include:

1. Difficulty of raw materials
2. Access to capital and financing is constrained
3. Competence of human resources (HR)
4. Product marketing access
5. Product standardization

Efforts to solve the above problems, among others:

1. Facilitating capital, equipment and raw materials
2. Improving product standardization, promotion, human resources and business management managerial

In carrying out the settlement efforts that have been planned above, various activities will be carried out, in the form of: 1) Growth of New Entrepreneurs (WUB); 2) Promotion of domestic products; 3) Increasing Human Resources and Production Capacity; 4) Industry assistance in the implementation of the “new normal”; 5) Standardization of industrial products, and 6) IOMKI supervision/assistance.

In addition to the industrial sector affected by the COVID-19 pandemic, the world of trade also has almost the same problems. The following are the current problems with trading facilities and the solutions provided so that people can enjoy easy access to trade:

1. Mall

The problem being faced is a decrease in the number of visitors which has an impact on decreasing income for shopping place tenants. Meanwhile, the solution that can be provided is by facilitating and educating shopping center hygiene and health procedures for shopping center managers, as well as monitoring/supervising the implementation of the Covid-19 protocol in all malls strictly so that clusters do not occur.

2. Modern Retail

The problems being faced are in the form of reduced stocks of food and basic needs that are supplied which are at risk of increasing inflation rates. Then, efforts that can be made are in the form of guaranteeing the availability of food stocks and basic needs as well as monitoring/supervising the implementation of the COVID-19 protocol.

3. People's Market

The problem that is feared in the people's market is only the lack of guaranteed cleanliness in an effort to reduce the outbreak. Thus, efforts made to overcome this problem can be in the form of facilitating and educating market managers and visitors about cleanliness and health, as well as implementing Odd Even Markets and Online Markets.

4. E-commerce

It is a new means of trading for people in today's digital era. However, this facility still poses problems for some consumers who are still unfamiliar with how the buying and selling transaction system is carried out, as well as the lack of consumer protection on the trading page because there is still abuse of the convenience function in the form of fraud, thus making people worried about transacting in trading facilities like this . The solution that can be done by the government is to provide consumer protection education on trade pages.

However, the East Java Provincial government has prepared various programs so that the regional trade system continues to run smoothly, including:

1. Program for price stabilization and availability of basic necessities, as well as smooth distribution:
 - a) Development of People's Online Market
 - b) Independent Cheap Market
 - c) Supervision of Commerce and Consumer Protection
 - d) Establishment of Bapok Logistics Monitoring System, for example sugar commodity
2. Programs to keep people's markets and modern shops from becoming clusters of the spread of COVID-19:
 - a) Supervision of the implementation of the covid-19 protocol in the market
 - b) Establishment of a market monitoring control center, for example through CCTV
3. Domestic market strengthening program, through:
 - a) Socialization of the National Movement with the hashtag #BanggaBuatanIndonesia
 - b) Encourage increased use of East Java products
4. Program to increase inter-regional trade:
 - a) Online trading mission
 - b) Rationalization of KPD (Trade Representative Office) Physical
 - c) Virtual KPD Development
 - d) Development of East Java Regional Distribution Center
5. Program for strengthening the People's Market:
 - a) Identification of traders affected by covid-19
 - b) Development of the Digital People's Market, including digitization of the sales system, transaction payment systems / levies / parking and so on
 - c) Facilitating capital assistance for People's Market traders (in collaboration with East Java Bank, BRI and so on)
6. Online trade development program:
 - a) MSME training to sell online (training, internship and so on)
 - b) Provision of e-commerce facilitators to assist SMEs in selling online

Of all the programs above, there is one interesting program that can provide opportunities so that the wheels of the economy can run is to increase a sense of pride in the community for products made in their own country. You could say this is the best solution to

increase regional income figures with high purchasing power for local products. In order for this program to be implemented properly, the government of East Java Province must take part in improving the quality of the industrial sector and strengthening the local market.

The East Java Provincial Government already has an economic recovery strategy in the industrial and trade sectors as well as a short-term plan that has been prepared in such a way. The strategies made by the East Java Provincial Government include:

A. Industrial Development Strategy

The strategy in terms of production, in the form of:

1. Improvement of the quality and quantity of industrial resources
2. Increasing the quality and quantity of industrial facilities and infrastructure
3. Strengthening the pattern and structure of industrial zoning to encourage the distribution of industrial distribution (development of industrial growth center areas, industrial allotment areas, industrial areas and IKM centers)
4. Development of integrated industrial information and communication technology (ICT) between IKM and IB
5. Increasing the synergy between the government and the private sector in realizing green industry, both in new and existing industries

Then, the strategies in the marketing sector include a) Network integration, both to obtain raw materials, as well as marketing expansion through the establishment of the East Java Trade Representative Office (KPD), both at the national, ASEAN and international levels; b) Increasing international cooperation in the field of industrial development; and c) Improved marketing with information technology.

In addition, there are also strategies that lead to financing, including:

1. Increasing the role and synergy between relevant stakeholders in providing competitive capital
2. Provision of affirmative strategies in the form of policy formulation, strengthening institutional capacity and providing facilities to small and medium industries
3. Strengthening commitment in providing legal capacity and investment guarantee
4. Accelerate the realization of financing that is integrated with digital technology

B. SMI Development Strategy (Small and Medium Industry)

In increasing production for SMEs, the following strategies are needed:

1. Development and arrangement of leading IKM centers
2. Improving the quality of IKM human resources along with the development of the digital era
3. Encouraging the growth of new SME entrepreneurs
4. Improved efficiency and standardized product quality
5. Strengthening IKM institutions in the face of global competition
6. IKM scale improvement

Meanwhile, in terms of marketing, it is in the form of developing partnerships with Medium and Large Industries, as well as increasing information technology marketing. Plus in terms of financing in the form of guarantees for competitive business financing.

East Java's economy as a whole in 2021 is estimated to grow higher in line with the improvement in the global and domestic economy. From the demand side, the improvement in East Java's economic performance is expected to come from accelerated household consumption, investment, and inter-regional net exports. Meanwhile, foreign exports are also expected to continue to grow positively. Vaccination policies that take place globally are believed to encourage the wider opening of productive economic sectors and increased

community activities which have implications for increasing external and domestic demand. From the supply side, East Java's economic recovery is expected to be supported by improved performance in the main business sectors, namely the manufacturing and trading industries in response to rising domestic and external demand. Meanwhile, East Java Consumer Price Index (CPI) inflation in 2021 is predicted to increase compared to 2020, but is still within the national inflation target of $3.0\% \pm 1\%$ (yoy). The increase in inflationary pressure is predicted to be due to the recovery in economic performance, which will lead to an increase in inflation in the clothing, education and transportation categories.

The following is a table of the 2021 Short Term Plan for the industrial and trade sectors that has been prepared by the East Java Provincial Government:

Table 1
2021 Short Term Plan
Industry and Trade Sector

No	Program	Activities	Target	Economic Levers
1.	HR and Industrial Managerial Development	a. Training to improve the quality of human resources and IKM products b. Development of product and packaging design c. Strengthening MJC	a. Textile IKMs, Mamin and Herbs b. Mentor and Talent at MJC	Will increase competitiveness and a wider market
2.	Industrial Product Standardization	Product Standardization Facilitation and Dissemination	Mamin IKMs and textile IKMs	Providing competitiveness for industrial products in East Java
3.	Promotion at home and abroad	a. Strengthening KPD Operations b. Domestic and foreign trade missions	Entrepreneurs in East Java	Optimizing the performance of domestic and foreign trade by utilizing KPD and ITC abroad
4.	Stabilization of Basic Necessity Prices	a. Siskaperbapo b. East Java PAMOR	a. Trading Facilities b. Society	Implementation of domestic and foreign trade performance by utilizing KPD and ITPC abroad
5.	Circulating Goods Supervision	Supervision of Circulating Goods in 5 UPT Consumer Protection	a. Trading Facilities b. Producers and Consumers	Trading activities in trading facilities will be more secure with the implementation of supervision of circulating goods and the covid protocol at trading facilities
6.	Goods Quality Test	Testing the quality of goods at 2 UPT BPSMB in order to increase exports	Business actors, especially exporters	Increased exports in the plantation sector, especially in tobacco commodities
7.	Industrial	Facilitation of industrial	IKMs in the	Make it easy for

	Technology Capacity Building	technology in IKM through 5 UPT Industrial Commodities	Commodity Industry	IKMs to get production increase facilities, so they can reduce production costs
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Source: Department of Cooperatives, Small and Medium Enterprises of East Java Province

The table for the 2022 Long-Term Plan for the industrial and trade sectors that has been prepared by the East Java Provincial Government is as follows:

Table 2
2022 Long Term Plan
Industry and Trade Sector

No	Program	Activities	Target	Economic Levers
1.	HR and Industrial Managerial Development	a. Training to improve the quality of human resources and IKM products b. Product design development	Agro and Non-Agro industry IKMs	Will increase competitiveness and wider market
2.	Industrial Product Standardization	Product Standardization Facilitation and Dissemination	East Java industrial products	Providing competitiveness for industrial products in East Java
3.	Promotion at home and abroad	a. Strengthening KPD Operations b. Domestic and foreign trade missions	Entrepreneurs in East Java	Optimizing the performance of domestic and foreign trade by utilizing KPD and ITC abroad
4.	Stabilization of Prices and Basic Needs	a. Siskaperbapo b. East Java PAMOR	a. Trading Facilities b. Society	Implementation and strengthening of price stabilization will be able to maintain people's purchasing power
5.	Circulating Goods Supervision	Supervision of Circulating Goods in 5 UPT Consumer Protection	a. Trading Facilities b. Producers and consumers	Trading activities in trading facilities will be more secure with the implementation of supervision of circulating goods and the covid protocol at trading facilities
6.	Goods Quality Test	Quality testing of goods at 2 UPT BPSMB in order to increase exports	Business actors, especially exporters	Increased exports in the plantation sector, especially tobacco commodities
7.	Industrial Technology Capacity Building	Facilitation of Industrial Technology in IKM through 5 Industrial Commodity UPTs	IKMs in the commodity industry	Make it easy for IKMs to get facilitation for increasing production, so they can reduce production costs
8.	Milenial Job	Facilitating talent and	MJC's talents	Reducing unemployment,

	Centre (MJC)	mentors	and mentors	especially in the digital sector and providing convenience for business actors
9.	PEPI and SIPAP Application Dashboard Development	App Upgrade and Optimization	Businessmen	In order to provide the latest information in the development of domestic and international markets, so as to increase the substitution of imported raw materials

Source: Department of Cooperatives, Small and Medium Enterprises of East Java Province

4. Conclusion

The trade sector is one of the most important sectors that contribute the most to the economic development of East Java Province. Every year, this sector experiences dynamic and significant increases and decreases. As a result, awareness of the importance of having a mature strategy is required in order to maintain a conducive trading environment in the face of global economic challenges in the era of the covid pandemic, so the East Java Provincial government must pay special attention to making policies as a strategic step in order to seize opportunities for the sector to trade did not experience a slump. One strategy that can increase development in the trade sector is improving the quality of products and workforce by providing training as a solution to increase creativity. In addition, with the optimal preparation of medium and long-term plans that prioritize the use of opportunities from local markets and medium-sized industries, it is hoped that they will be able to overcome all the challenges that are currently occurring during the current pandemic.

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