
MSME LEGITIMACY DURING A PANDEMIC

Yanto Sidik Pratiknyo^{1)*}, Wilson Bangun²⁾, Zainur Hidayah³⁾, Roni Kambara⁴⁾

¹⁾ Student of Doctoral Program in Management Science, Universitas Terbuka, Indonesia

²⁾ Universitas Maranatha, Indonesia

³⁾ Universitas Terbuka, Indonesia

⁴⁾ Universitas Sultan Agung Tirtayasa, Indonesia

*Corresponding author: yantosp2013@gmail.com

Abstract

This study aims to determine what factors influence MSME during the pandemic in relation to issues of leadership, legitimacy, green management, social responsibility, and partnership. This research is quantitative by using SEM (Structural Equation Modelling). The sample comes from Bandung, Surabaya and Situbondo with totalling 120 MSME respondents. There are correlations among leadership with green management, leadership with social responsibility, green management with legitimation and social responsibility with legitimation. However, the value of r or the determinant of almost all variables is lower than 0.5, which indicates that the level of prediction is not high in explaining the actions that MSME should take when facing a pandemic crisis. This study highlights the importance of the factors that influence MSMEs in facing a crisis, in this case is a pandemic. The factors found turned out to have predictions that were not too high, so the interviews be done, which was qualitative in nature in helping to investigate problems deeply in MSME during the pandemic. An important finding in a crisis is that MSME actually seeks legitimacy from the government, especially to gain access to assistance.

Keywords: Labor, capital, cooperative, optimal

Introduction

60% of MSMEs experienced a decrease in product prices during the pandemic. The decline in domestic sales was experienced by 49.28% of MSMEs and the decline in domestic sales was experienced by 43.15% of MSMEs. Furthermore, 53.81% of MSMEs experienced a decrease in their working hours (Timur, 2021). Even 83% of entrepreneurs in the clothing sector stated that there was a very drastic decline in sales in the era of the Covid 19 (Sutjipto, 2020). MSMEs will recover soon if there is government intervention and policies that encourage MSMEs to be able to overcome problems during the current Pandemic. It is also recommended for MSME actors to be able to market their products through digital marketing and present products with various innovations, creations, attractive packaging, and of course product differentiation (Affandi et al., 2020). In showing that the pandemic contributed to a renegotiation of co-governance between the State and business associations and contribute to understandings of the dynamics of distributive politics and the co-governance of crisis; and the potential implications for a post-COVID-19 political economy in Latin America (Bull & Hoelscher, 2023).

Total number of MSMEs in Indonesia, as many as 64.13 million or often called the informal sector need to be encouraged to transform into the formal sector. Indonesia still has problems with complex licensing and overlapping regulations at the central and regional levels. A World Bank survey of informal enterprises shows that in Africa the productivity of small formal enterprises is 120 per cent higher than that of informal enterprises, while wages are 130 per cent higher than that of informal enterprises. Formalization is seen as a way to break the vicious cycle of low productivity and erratic working conditions that applies to the informal economy. Overall, the effect of formalization interventions on firm performance and employment is modest. Research shows that intervention is necessary to reduce costs for companies to become formalized as well as increase benefits to become formal. Offering simplified tax schemes or social security provisions can increase formalization (International Labour Office, 2015).

The way for sustainability entrepreneurs to maintain and increase their chances of survival is to build a series of collaborative relationships with different actors in the business ecosystem including, venture capitalists and business angels, education system actors, innovation institutions, science and technology facilities, external partners, suppliers, etc. that engages them and can fill knowledge and resource gaps and address challenges effectively. Networks of collaborative relationships can be found in the context of a holistic approach to the entrepreneurial ecosystem, where a set of interconnected actors rooted in the entrepreneurial community formally and informally support new entrepreneurs by providing bottom-up steps to support new ventures (Martin-Rios et al., 2021).

Business failures and the unfolding of the COVID-19 event, the paradox posed by new exogenous shocks (that is, shocks that transcend past experiences) and their implications for SMEs. The pandemic has accelerated the reconfiguration of the relationship between the state and markets, increased the gap between those with political connections and those who are not, and may pose new legitimacy challenges for some players even when others appear to care less about them, while experiential sources of knowledge can be both an advantage and a burden (Amankwah-Amoah et al., 2021).

For the legitimation during the pandemic of MSME, factors that appear to be related include leadership (Snihur et al., 2021), partnership (Tiba et al., 2021), social responsibility (Crossley et al., 2021) and green management (Bouncken & Kraus, 2021).

The research model is shown in diagram 1, with variables of MSME as, social responsibility, green management, partnership, and leadership.

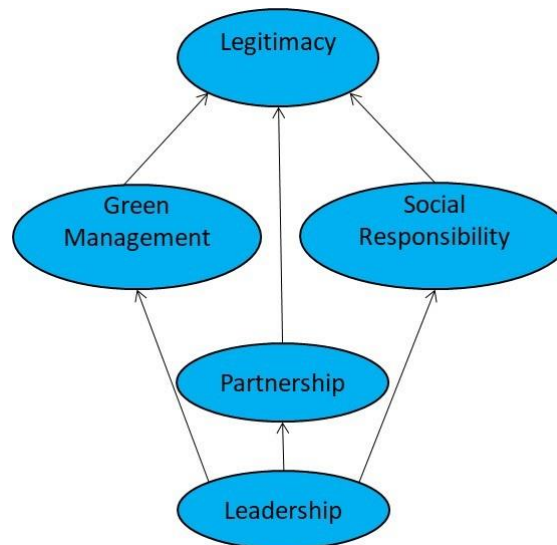


Fig. 1: Research Diagram

Legitimation

To achieve entrepreneurial initiatives with growth aspirations that have a greater economic effect on government, policymakers must increase the legitimacy of entrepreneurs. Studies have shown that entrepreneurial opportunities have a more positive impact on the country's economy. Entrepreneurial initiatives aimed at growth and success are the things that have a more positive impact on the prosperity of the country. Policy makers to increase the legitimacy of entrepreneurs is a priority (Díez-Martín et al., 2021). An organization is said to be legitimate insofar as its means and objectives are in accordance with social norms, values, and expectations (Dowling & Pfeffer, 1975). Therefore, a legitimate organization is an organization that seeks to pursue socially acceptable goals in a socially acceptable manner; given these normative qualities, efficiency and performance alone are not sufficient (Epstein, 1979). Thus, we theorize about the pressure to pursue legitimacy, the situational and individual factors that influence this pursuit, and how this context can lead to moral disengagement and deceit of legitimacy (Theoharakis et al., 2021).

Increasing the legitimacy of the government to transform informal enterprises is also a priority and also for the authorities to make informal enterprises formal. In a legitimate environment, entrepreneurs find more benefits with the creation of a formal business (Assenova & Sorenson, 2017).

However, in other research, showed that increasing the complexity of the legal framework or applying existing rules in a country to support entrepreneurial activity, does not guarantee that this new legal context will work in a new environment (Díez-Martín et al., 2021). Based on the analysis of Digital Entrepreneurial Ecosystem of green elements on digital platform-based SMEs in Indonesia, it is known that the Digital User Citizenship element is still in a fairly weak position due to limited strict policies in regulating the explicit legitimacy and implicit social norms of the digital society in Indonesia (Purbasari et al., 2021).

Leadership

Leadership framing has also been shown to resonate with society. For example, a salesperson leverages cultural resources to define a differentiation framework, highlighting the unique characteristics of his or her business model, and a leadership framework, highlighting the leadership of the new ecosystem, to emphasize its differentiation from the incumbent. This use of cultural resources is akin to framing products that can be

effective in nascent markets (Snihur et al., 2021). Consistent with recent research, entrepreneurial leadership benefits from the cross-fertilization between entrepreneurship and leadership, making it an effective mechanism for studying the management and development of micro, small and medium enterprises (MSMEs) (Simba & Thai, 2019).

Structural elements in social systems: legitimacy structures, which provide evaluative criteria around norms; domination structures, which relate to power (control) over resources (both material and human); and the structure of signification, which facilitates meaning in social interactions. While any social system incorporates various types of structures, in the analysis it directly refers to the structure of legitimacy and the structure of domination, with a structure of clear significance because it reflects the captured meaning of the entrepreneur (Snihur et al., 2021).

Green Management

The entrepreneurial ecosystem is subject to the process. Therefore, entrepreneurs deliberately choose an ecosystem that allows them to develop their business (Bouncken & Kraus, 2021). Companies are currently faced with an increasing number of environmental laws and pressure from various stakeholders regarding the environment for legitimacy (Mousa, et. al., 2015).

Reasons for small and medium enterprises (SMEs) to engage in social and environmental sustainability (SEP) practices that influence social and environmental policies and changes in sustainability. In particular, it shows that legitimacy strategies can serve the dual purpose of being symbolic but also inferring substantive legitimacy claims. The evidence for SMEs retaining their legitimacy position stretches further from either a moral and/or a pragmatic perspective (Crossley et al., 2021).

Hypothesis 1 (H1).

There is a correlation between leadership and green management in MSME during pandemic.

Hypothesis 2 (H2).

Leadership has a correlation to partnership in MSME during pandemic.

Social responsibility

Volunteering to help the environment develop business legitimacy (Crossley et al., 2021). Donations increase the legitimacy of the company (Khurana, 2021). Legitimacy through local identity and values where legitimacy practices are socially, culturally, and politically acceptable. (Walker & Ghodasara, 2021).

Once considered a potential source of hazard, generating industrial risks, companies are now seen as indispensable partners in preparing risk responses. However, this shift raises crucial questions about coordination between various actors, especially regarding public-private partnerships and inter-organizational collaboration – highlighting various potential bottlenecks during a pandemic created by issues of responsibility and legitimacy (Farinda et al., 2009)

Hypothesis 3 (H3).

There is a correlation between leadership and social responsibility in MSME during pandemic.

Hypothesis 4 (H4)

There is a correlation between green management and legitimation in MSME during pandemic.

Hypothesis 5

There is a correlation between Partnership on Legitimation MSME during pandemic.

Partnership

Strategic partnerships are supported by trust in the legitimacy of each party (Mevik & Wehrens, 2007) and partnership in the environment of MSME (Tiba et al., 2021). Legitimacy through identity and local values where legitimacy practices are socially, culturally, and politically acceptable (Walker & Ghodasara, 2021) and also more specifically in partnership with the environment (Tiba et al., 2021). Legitimacy through labelling, symbols, and other branding media promotes the spread of promotions about the business so that customer relationships occur (Dodd et al., 2021).

As a practical implication, this research raises awareness of the role of digital transformation as a tool for adapting during and after a pandemic, in partnership with the principles of resilience engineering and knowledge management (Hadi & Udin, 2021). Business networks and partnerships in MSMEs are needs, asymmetry, reciprocity, efficiency, stability, and legitimacy (Farinda et al., 2009).

Hypothesis 6.

There is a correlation between social responsibility and legitimation in MSME during pandemic.

Hypothesis 7.

Leadership has a significant effect on Legitimation with Green Management Mediation

Research Method

The research method used is a quantitative method, using a Likert scale questionnaire (1 -5). Structural Equation Modelling (SEM) is used by first preparing research diagrams or empirical models. Then the data is processed using Partial Least Square (PLS) software. Reliability test, Validity test and correlation analysis can be described clearly.

The samples for SMEs were taken by purposive random sample. Initially, FGDs (Focus Group Discussion) were conducted with related parties, namely the entrepreneur's association, SME consultant, University Expert and Government Agencies in two places, namely in Bandung and Surabaya. Then determined the number of samples as follows. The MSME samples used were taken from Bandung (40 samples), Surabaya (40 samples) and Situbondo (40 samples), with a total of 120 entrepreneurs. Sampling took place between September and October 2022. Google form were used in data collection. Sources of data used are from associations and local governments from the FGD participations.

Results and Discussions

MSME variables such as social responsibility, green management, partnership and leadership will be discussed as follows.

The validity and reliability of the research instrument test of variables that consists of legitimation, green management, social responsibility, partnership and leadership were done as the table 1 as follow.

Table 1: The validity and reliability of the research instrument test

Variable	Indicator	Loading Factor	Cronbach Alpha	Composite Reliability	Average Variance Extracted (AVE)
Legitimation	LG1	0.861	0.793	0.798	0.706
	LG2	0.819			
	LG3	0.840			
Green Management	GM1	0.715	0.728	0.729	0.652
	GM2	0.871			
	GM3	0.829			
Social Responsibility	SR1	0.942	0.856	0.857	0.874
	SR2	0.927			
Partnership	P1	0.836	0.539	0.540	0.684
	P2	0.818			
Leadership	L1	0.770	0.756	0.779	0.671
	L2	0.894			
	L3	0.790			

Table 1 above represents the results of the PLS analysis, in this case it is at the stage of assessing the outer model which includes Convergent Validity, Composite Reliability and Average Variance Extracted. Convergent validity of the measurement model with reflexive indicators is assessed according to the correlation between the item score/component score estimated by the PLS Software. The criterion for a construct having adequate convergent validity is if it has a loading value of 0.70.

The results of the convergent validity analysis in the table above show the value of the outer model or the correlation between constructs and variables, there are still constructs that do not meet convergent validity. This is evidenced by the loading factor value of less than 0.70, so it is necessary removing or eliminating all indicators that are declared invalid or do not meet convergent validity.

The validity and reliability criteria can be seen from the reliability value of a construct and the Average Variance Extracted (AVE) value of each construct. Internal Consistency Reliability assessment is carried out by looking at Cronbach Alpha and Composite Reliability. The criteria that apply are if the Cronbach Alpha value is more than 0.6, the Composite Reliability value is above 0.70, and the AVE value is more than 0.5, then it can be stated that the indicator has good reliability. The test results show that all constructs meet the reliable criteria. This is indicated by the Cronbach Alpha value of more than 0.6, composite reliability above 0.70 and AVE above 0.50 as the recommended criteria.

The results of the convergent validity analysis where all construct indicators have a loading factor value of more than 0.70, so that they can be declared valid or have met convergent validity.

The results of the reliability test show that almost all constructs meet the criteria of being reliable. This is indicated by the Cronbach Alpha value of more than 0.6, composite reliability above 0.70 and AVE above 0.50

as the recommended criteria. Even so, one partnership variable has a Cronbach Alpha of 0.539 below 0.600, which means that this one variable is not reliable.

After evaluating the outer model, the discussion of the SEM-PLS analysis continues with testing the inner model. Testing at this stage is to look at the significance value and R-square. In this case the R-square value describes the variability of changes in exogenous variables that can be explained by endogenous variables. The test results related to the R-square value can be seen in Table 2.

Table 2. R Square, R Adjusted dan Q-Square

Variable	R Squares	Adjusted R Squares	Q-Square $=1-(1-R_1^2)(1-R_2^2)$
Legitimation	0.636	0.622	0.635
Green Management	0.203	0.193	0.077
Social Responsibility	0.275	0.266	0.141
Partnership	0.219	0.209	0.090

In Table 2, it shows that the R-square value of the Legitimation construct is 0.636 which means 63.6% of the Legitimation variability can be explained by the Green Management and Social Responsibility variables, while the remaining 36.4% is explained by other constructs outside the variables studied.

The R-square value of the Green Management construct is 0.203 which means 20.3% of the variability of changes in Green Management can be explained by the Legitimation and social responsibility variables, while the remaining 79.7% is explained by other constructs outside the variables studied.

The R-square value of the Social Responsibility construct is 0.275 which means 27.5% of the variability in Dynamic Capability changes can be explained by the Legitimation and Green Management variables, while the remaining 72.5% is explained by other constructs outside the variables studied.

The R-square value of the Partnership construct is 0.219, which means that 21.9% of the variability of Partnership changes can be explained by the Legitimation, Green Management and Social Responsibility variables, while the remaining 78.1% is explained by other constructs outside the variables studied.

The results of the PLS-SEM analysis can be stated in Fig. 2 below:

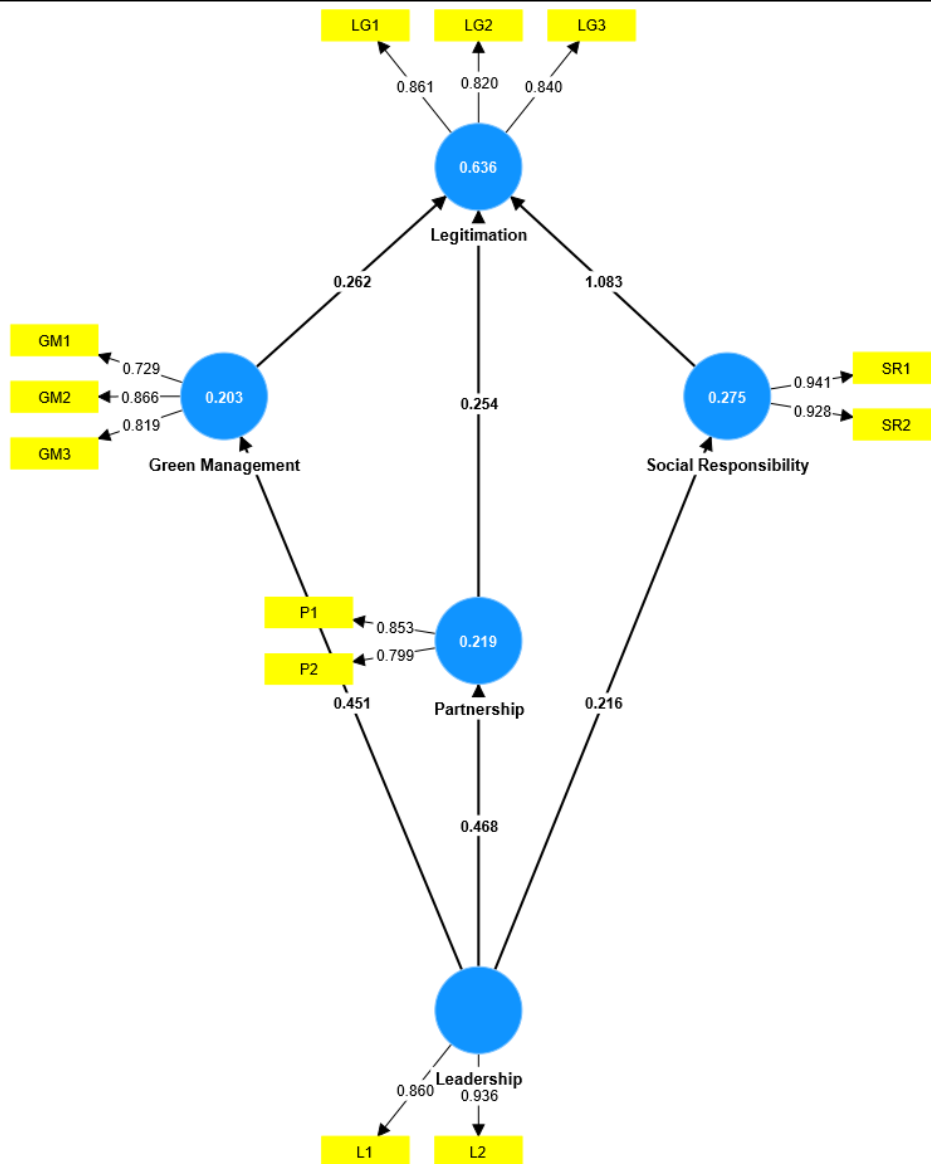


Fig. 2: Full Model PLS Algorithm

Hypothesis Testing

Hypothesis testing as well as assessing the strength of the relationship between constructs and their significance is carried out by referring to the path coefficient value. Inner model testing is carried out with the aim of seeing whether the relationship between latent factors, especially exogenous and endogenous. Testing the hypothesis on the inner model is carried out using the calculated t value as the t test (t-test) in the regression analysis. In this case the t-count value will be compared with the t-table value at 5% alpha.

To provide convenience in explaining hypothesis testing, the path coefficient in each stage is detailed, starting from the direct effect and the indirect effect.

Direct Effect

The direct effect describes how the direct influence of the independent variable constructs on the dependent variable. A summary of the results of the direct effect test is presented in Table 3 below:

Table 3: Direct effects

Hypotesis	Independent Variable	Dependent Variable	T Statistic	P value	Result
H1	Leadership	Green Management	4.096	0	support

H2	Leadership	Partnership	4.155	0	support
H3	Leadership	Social Responsibility	4.21	0	support
H4	Green Management	Legitimation	2.971	0.003	support
H5	Partnership	Legitimation	2.519	0.012	Support but invalid
H6	Social Responsibility	Legitimation	3.73	0	support

Hypothesis 1 (H1)

There is a significant relationship from Leadership and Green Management

The path coefficient value for testing the influence of Leadership on Green Management is 0.451 with a T-statistic value of 4.096 and a P value of 0.000. The positive path coefficient value illustrates that the relationship between Leadership and Green Management is unidirectional, which means that the better the leadership, the better the Green Management will be. The results of the Leadership estimation coefficient test on Green Management obtained a T-statistic value of 4.096 which means it is greater than t table (1.98) and the P value is smaller than $\alpha = 0.05$. Based on these results it is stated that Leadership has a positive and significant (meaningful) effect on Green Management. Thus, the hypothesis which states that leadership has a significant effect on Green Management is proven true or H1 is accepted.

An SME mentor stated in relation to green management and leadership as follows

This is an obstacle for people who have previously been SMEs. They compete with others as new competitors, which appear suddenly and spontaneously. They don't think about licensing issues, environmental issues etc, or what is important for them to do. Now, while the MSMEs that existed before, they had to take several steps, with money, costs and a long time to get a business license to halal certification, it was violated by people who were just an impromptu MSME.

MSMEs are in a critical situation, namely during a pandemic they still have to follow various rules, including attention to the environment, green management demands.

Hypothesis 2 (H2)

Leadership has a correlation to partnership.

The path coefficient value for testing the influence of Leadership on Partnership is 0.468 with a T-statistic value of 4.155 and a P value of 0.000. The positive path coefficient value illustrates that the relationship between Leadership and Partnership is unidirectional, which means that the better the leadership, the better the Dynamic Capability. The results of the Leadership estimation coefficient test for Partnership obtained a T-statistic value of 4,155 which means it is greater than t table (1.98) and the P value is smaller than $\alpha = 0.05$. Based on these results it is stated that Leadership has a positive but significant (meaningful) effect on Partnership. Thus, the hypothesis which states that leadership has a significant effect on Partnership is proven true or H2 is accepted.

One respondent in food business related with leadership and partnership stated that:

A licensed company has various facilities. one of them can join the government-owned marketplace, namely E-Peken. Here civil servants also make purchases with this marketplace.

A respondent stated during the interview that:

To facilitate business, it is necessary to carry out activities that comply with the environment. Several other licensing matters that support is halal certification. Overcoming business activities that have a high risk to the environment is also a consideration in certification, even in the crisis situation or pandemic.

SME leaders need cooperation, partnership and networking in dealing with problems during a pandemic, in order to survive.

Hypothesis 3 (H3)

There is a correlation between leadership and social responsibility in MSME.

The path coefficient value for testing the influence of Leadership on Social Responsibility is 0.216 with a T-statistic value of 4.21 and a P value of 0.000. A positive path coefficient value illustrates that the relationship between Leadership and Social Responsibility is unidirectional, which means that the better the leadership, the better the Social Responsibility. The results of the test for the coefficient of estimation of Leadership on Social Responsibility obtained a T-statistic value of 4.21, which means that it is greater than t table (1.98) and the P value is smaller than $\alpha = 0.05$. Based on these results it is stated that Leadership has a positive and significant (meaningful) effect on Social Responsibility. Thus, the hypothesis which states that leadership has a significant effect on Social Responsibility is proven true or H3 is accepted.

Beauty Shop Entrepreneur said related to social responsibility as follow:

For waste, I already have a Statement of Ability to Manage and Monitor the Environment from the government, because my soap production carries a risk of chemical waste. I also have my own reservoir to control waste so that it can be greened.

Leaders from MSME during a pandemic are required to have a cape of social responsibility. In difficult times, apart from having to continue their own business, they also have to pay attention to social responsibility to help others who are in trouble.

Hypothesis 4 (H4)

There is a correlation between green management and legitimation in MSME.

The path coefficient value for testing the influence of Green Management on Legitimation is 0.146 with a T-statistic value of 2.971 and a P value of 0.003. The positive path coefficient value illustrates that the relationship between Green Management and Legitimation is unidirectional, which means that the better the Green Management, the better the Legitimation. The results of the Green Management estimation coefficient test for Legitimation obtained a T-statistic value of 2,971 which means it is greater than t table (1.98) and the P value is smaller than $\alpha = 0.05$. Based on these results it is stated that Green Management has a positive and significant (significant) effect on Legitimation. Thus, the hypothesis which states that Green Management has a significant effect on Legitimation is proven true or H4 is accepted.

Food entrepreneur stated that:

To expedite the business, it is necessary to carry out activities that are in accordance with the environment. Several other things that support licensing are halal certification. Overcoming business activities that have a high risk to the environment is also a consideration in certification during a pandemic.

Green management has legitimized SMEs in business despite the pandemic crisis faced by SMEs in order to survive. Legitimacy is a requirement expected by entrepreneurs to obtain assistance.

Hypothesis 5 (H5)

There is a correlation between Partnership on Legitimation

The path coefficient value for testing the influence of Partnership on Legitimation is 0.254 with a T-statistic value of 2.519 and a P value of 0.012. A positive path coefficient value illustrates that the relationship between Partnership and Legitimation is unidirectional, which means that the better the Partnership, the better the Legitimation. The results of the Partnership estimation coefficient test for Legitimation obtained a T-statistic value of 2.519 which means it is greater than t table (1.98) and the P value is smaller than $\alpha = 0.05$. Based on these results it is stated that Partnership has a positive and significant (significant) effect on Legitimation. Thus, the hypothesis which states that Partnership has a significant effect on Legitimation is proven true or H5 is accepted.

Respondents from MSMEs in the property sector stated that:

In making or renovating houses for sale, they followed government regulations carefully, not only physically in accordance with construction, wells, etc., but also legal aspects such as building permits. Legal aspects are very important in business, especially in the property that is involved. I also joint the association in property.

In running their business, I joined a property association, namely Real Estate Indonesia (REI). By joining the association, the benefits of sharing information are obtained in order to improve business performance.

Partnership also increases the legitimacy of MSMEs in maintaining their lives during a crisis, namely a pandemic. So, the partnership joining the association is very important to increase legitimacy.

Hypothesis 6 (H6)

There is a correlation between social responsibility and legitimation in MSME during pandemic.

The path coefficient value for testing the influence of Social Responsibility on Legitimation is 1.083 with a T-statistic value of 3.73 and a P value of 0.000. The positive path coefficient value illustrates that the relationship between Social Responsibility and Legitimation is unidirectional, which means that the better the Social Responsibility, the better the Legitimation. The results of the test of the coefficient of estimation of Integration on Adaptability obtained a T-statistic value of 3.73, which means that it is greater than t table (1.98) and P value is smaller than $\alpha = 0.05$. Based on these results it is stated that Social Responsibility has a positive and significant (meaningful) effect on Legitimation. Thus, the hypothesis which states that Social Responsibility has a significant effect on Legitimation is proven true or H6 is accepted.

Local Regional Government Official talked about social responsibility:

The Government's Corporate Social Responsibility (CSR) program is also very useful in the use of vacant land or government office land. This asset can legally be used by MSMEs to run their business. So, MSMEs can get a legal place of business from the government's CSR program. Rent from this location is IDR 20 000, - per meter per month. However, this placement is only half day i.e., day shift and night shift. This is very impactful because during the pandemic, there is a nighttime restriction for opening a business, which is only until 20.00 pm. Thus, this is very detrimental for MSMEs in their business for the second shift or night shift.

Social responsibility also increases the legitimacy of MSMEs in maintaining their lives during a crisis, namely a pandemic. So, the partnership joining the association is very important to increase legitimacy. MSMEs share income with curvature during the pandemic.

Indirect Effect

The indirect effect describes how the indirect effect of the independent variable constructs on the dependent variable involves mediating/intervening variables. A summary of the results of the indirect effect test is presented in Table 4 below.

Table 4: Indirect effect

Hypothesis	Independent Variable	Dependent Variable	T Statistic	P value	Result
H7	Leadership	Legitimation	5.629	0	Can be moderate

Hypothesis 7 (H7)

Leadership has a significant effect on the Leadership to Legitimation with Green Management Mediation

The path parameter coefficient obtained from the Leadership to Legitimation relationship with Green Management mediation is 0.1181 (result of 0.451×0.262) with a T-statistic value of 5.629 and a P value of 0.00. The positive path coefficient value of 0.1181 illustrates that the relationship between Leadership on Legitimation and Green Management mediation is unidirectional, which means that the better the Leadership, the better the Legitimation with Green Management mediation. The results of the estimation coefficient test obtained a T-statistic value of 5.629 which means it is smaller than t table (1.98) and the P value is greater than $\alpha = 0.05$. Based on these results the data stated that Leadership had a positive and significant (meaningful) effect on Legitimation. Thus, the hypothesis which states that Leadership has a significant effect on Legitimation with Green Management Mediation is proven true or H7 is accepted.

From interviews with leather SME respondents, he stated as follows:

Formal legitimacy through licensing and legal aspects would help MSMEs in doing business during the pandemic. Facilities are provided through the mechanism for registration or legalizing MSME businesses.

Respondents who are engaged in services, including the provision of outsourcing and training, stated that:

During the pandemic, sales decreased drastically. Financial difficulties are faced by the difficulty of paying trade debts. To solve business problems, everything is done using digital communication, including zoom

conference, promotion using social media. This can help, in addition to terminating employment with employees. Joining MSME associations is an alternative to being able to help each other to overcome problems during the pandemic, especially in the field of networking.

MSME leadership, legitimacy, green management are important factors in a pandemic. Besides facing a crisis, MSMEs are also required to follow the rules, and MSMEs hope for assistance after their names are registered.

Conclusions

The very important result of this research shows that first, even though MSME is experiencing an extraordinary crisis, they must still follow the rules so that they can follow the legitimacy of the government. The motivation is of course to get facilities and assistance during a pandemic. Thus, legitimacy in times of crisis becomes very important so that the company can continue and be sustainable. From this research can be concluded that, second, in MSME, there are correlations among leadership with green management, leadership with social responsibility, green management with legitimation and social responsibility with legitimation. Furthermore, third, there are also correlations among leadership with partnership and partnership with sustainability, however this correlation was not reliable because Cronbach alpha of the partnership below 0.600. Fourth, low result of legitimacy factor (0.636), green management (0.203) social responsibility (0.275) and partnership (0.219), that all almost below 0.50 show that this variable only has small contribution in influencing the dependent variable or low prediction during the pandemic. The low contribution of the predictive variable is because in a pandemic, the influencing factors are very difficult to predict.

References

- Affandi, A., Sobarna, A., Wicaksono, W., Suyatin, Ariyanti, E., Wahyitno, Manik, C. D., Erlangga, H., Onny Siagian, A., Purwanto, A., & Amin Effendy, A. (2020). Optimization of MSMEs Empowerment in Facing Competition in the Global Market during the COVID-19 Pandemic Time. *Systematic Reviews in Pharmacy*, 11(11), 1506–1515.
- Amankwah-Amoah, J., Khan, Z., & Wood, G. (2021). COVID-19 and business failures: The paradoxes of experience, scale, and scope for theory and practice. *European Management Journal*, 39(2), 179–184. <https://doi.org/10.1016/j.emj.2020.09.002>
- Assenova, V. A., & Sorenson, O. (2017). Legitimacy and the benefits of firm formalization. *Organization Science*, 28(5), 804–818. <https://doi.org/10.1287/orsc.2017.1146>
- Bouncken, R. B., & Kraus, S. (2021). Entrepreneurial ecosystems in an interconnected world: emergence, governance and digitalization. *Review of Managerial Science*, 0123456789. <https://doi.org/10.1007/s11846-021-00444-1>
- Bull, B., & Hoelscher, K. (2023). Pandemic Micropolitics in Latin America: Small Business and the Governance of Crisis from Above and Below in El Salvador. *Journal of Politics in Latin America*, 15(1), 47–71. <https://doi.org/10.1177/1866802X231159686>
- Crossley, R. M., Elmagrhi, M. H., & Ntim, C. G. (2021). Sustainability and legitimacy theory: The case of sustainable social and environmental practices of small and medium-sized enterprises. *Business Strategy and the Environment*, 30(8), 3740–3762. <https://doi.org/10.1002/bse.2837>
- Díez-Martín, F., Blanco-González, A., & Miotto, G. (2021). The impact of state legitimacy on entrepreneurial activity. *International Entrepreneurship and Management Journal*. <https://doi.org/10.1007/s11365-020-00724-4>
- Dodd, S., Wilson, J., Karampela, M., & Danson, M. (2021). Crafting growth together. *Entrepreneurship and Regional Development*, 33(9–10), 789–815. <https://doi.org/10.1080/08985626.2021.1914741>
- Dowling, J., & Pfeffer, J. (1975). Pacific Sociological Association Organizational Legitimacy: Social Values and Organizational Behavior. *Source: The Pacific Sociological Review*, 18(1), 122–136.
- Epstein, E. M. (1979). Issue 5 Article 3 1-1979, Societal, Managerial, and Legal Perspectives on Corporate Social Responsibility-Product and Process, 30 Hastings L. *Hastings Law Journal*, 30(5), 1287.
- Farinda, A. G., Kamarulzaman, Y., Abdullah, A., & Ahmad, S. Z. (2009). Building Business Networking: A Proposed Framework for Malaysian SMEs. *International Review of Business Research Papers*, 5(March), 151–160.
- Hadi, N., & Udin, U. (2021). Testing the effectiveness of csr dimensions for small business entrepreneurs. *Journal of Open Innovation: Technology, Market, and Complexity*, 7(1), 1–15. <https://doi.org/10.3390/joitmc7010006>
- International Labour Office. (2015). Small and medium-sized enterprises and decent and productive employment creation. In *International Labour Conference; Report IV*.

-
- http://www.ilo.org/wcmsp5/groups/public/@ed_norm/@relconf/documents/meetingdocument/wcms_358294.pdf
- Khurana, I. (2021). Legitimacy and Reciprocal Altruism in Donation-Based Crowdfunding: Evidence from India. *Journal of Risk and Financial Management*, 14(5), 194. <https://doi.org/10.3390/jrfm14050194>
- Martin-Rios, C., Hofmann, A., & Mackenzie, N. (2021). Sustainability-oriented innovations in food waste management technology. *Sustainability (Switzerland)*, 13(1), 1–12. <https://doi.org/10.3390/su13010210>
- Mevik, B.-H., & Wehrens, R. (2007). PDF hosted at the Radboud Repository of the Radboud University Nijmegen Article information: *Journal of Statistical Software*, 18(2), 3–6.
- Mousa, et. al., G. A. (2015). Legitimacy Theory and Environmental Practices: Short Notes. *International Journal of Business and Statistical Analysis*, 2(1), 41–53. <https://doi.org/10.12785/ijbsa/020104>
- Purbasari, R., Muttakin, Z., & Silvya Sari, D. (2021). Digital Entrepreneurship in Pandemic Covid 19 Era: The Digital Entrepreneurial Ecosystem Framework. *Review of Integrative Business and Economics Research*, 10(1), 114.
- Simba, A., & Thai, M. T. T. (2019). Advancing Entrepreneurial Leadership as a Practice in MSME Management and Development. *Journal of Small Business Management*, 57(S2), 397–416. <https://doi.org/10.1111/jsbm.12481>
- Snihur, Y., Thomas, L. D. W., Garud, R., & Phillips, N. (2021). Entrepreneurial Framing: A Literature Review and Future Research Directions. *Entrepreneurship: Theory and Practice*, February. <https://doi.org/10.1177/10422587211000336>
- Sutjipto, N. (2020). Ketahanan UMKM Jawa Timur. *Penerbit K Media*.
- Theoharakis, V., Voliotis, S., & Pollack, J. M. (2021). Going Down the Slippery Slope of Legitimacy Lies in Early-Stage Ventures: The Role of Moral Disengagement. *Journal of Business Ethics*, 172(4), 673–690. <https://doi.org/10.1007/s10551-020-04508-2>
- Tiba, S., van Rijnsoever, F. J., & Hekkert, M. P. (2021). Sustainability startups and where to find them: Investigating the share of sustainability startups across entrepreneurial ecosystems and the causal drivers of differences. *Journal of Cleaner Production*, 306, 127054. <https://doi.org/10.1016/j.jclepro.2021.127054>
- Timur, B. P. S. J. (2021). Hasil Survey Kegiatan Usaha Pada Masa Pandemi Covid 19. *Biro Pusat Statistik Jawa Timur*.
- Walker, J. N., & Ghodasara, H. J. (2021). Transformational Development and Social Capital: Jaipur Rugs and Gram Vikas on Both Sides of the Threshold. *Journal of Social Entrepreneurship*, 12(1), 110–131. <https://doi.org/10.1080/19420676.2019.1671482>