

ECONOMIC DIGITALIZATION IN THE DEVELOPMENT OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES)

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Abstract: The development of technology in the direction of digital is currently accelerating, technology is a tool that is able to help most of human needs. Technology has been able to be used by humans to make it easier to do any task and work. The important role of technology is what brought the maunsia civilization into the digital era. Micro, Small and Medium Enterprises (MSMEs) are an important sector in a country's economy. In the digital era of the 21st century, MSMEs face new challenges to utilize digital technology in developing their businesses. The research method used is to use Qualitative with an in-depth Literature Study Approach to produce a complete and comprehensive conclusion, In addition, this research is able to embrace a lot of data to get more complete and relevant results. The qualitative research process of literature study begins with determining the research topic and looking for literature related to the topic through sources such as books, journals, articles, and other related documents. After that, the data found will be collected and analyzed systematically. The result of this research is that the digital economy offers significant opportunities for MSMEs to digitally transform, create markets, and become part of the global supply chain. However, in order for the digital economy to provide optimal benefits for the growth of MSMEs in Indonesia, challenges such as limited access and technology infrastructure, as well as a lack of digital literacy need to be overcome.

Keywords: Digital Economy, Income, MSMEs

Introduction

Currently, the world is facing the era of industry 4.0 where technology can change the entire management chain in every branch of industry. The increasingly advanced global economy and supported by the existence of increasingly cutting-edge technology has created a digital economy that is growing rapidly in the world. Everything is possible to be controlled from anywhere through the internet network with gadgets/smartphones, everything has changed, including in the economic field, so that this phenomenon further strengthens the world towards the direction of the digital economy. For example, we are generally familiar with Email, the use of Websites, online product management applications/media, and online transactions. The development of digitalization has created

new breakthroughs in the economic field, namely in business-to-business, business-to-customer interactions. The competition for MSMEs is getting tighter in terms of the Digital Economy has become real with the development of technology, therefore MSMEs must really pay attention to this phenomenon and know and master digital marketing related to the Digital Economy. Digitalization makes it easier for entrepreneurs to introduce brands and market their products. If it used to be difficult to find suppliers, now almost all goods are easy to find on e-commerce platforms.

Micro, Small, and Medium Enterprises (MSMEs) have a central role in Indonesia's economy, absorbing around 90 percent of the country's workforce. The success of MSMEs in facing the economic crisis in 1998, 2012, and 2015 has been proven, but they are still faced with difficulties in competing in an increasingly competitive market. One of the main obstacles faced by MSMEs is business management that is still conventional. Therefore, the application of digital technology is a crucial solution to improve the development of MSMEs in Indonesia.

Digital technology can increase the efficiency and productivity of MSMEs through the use of software applications. An example is the use of software to manage inventory, calculate profits, and obtain customer information. With the use of this software, MSME management can run more efficiently, overcoming the obstacles of manual recording which is often a problem. The existence of various affordable and easy-to-use software applications in recent years has also made it easier for MSMEs to choose solutions according to their needs.

In addition to increasing efficiency, digital technology also allows MSMEs to access the global market. E-commerce platforms such as Tokopedia, Bukalapak, Shopee, and others open opportunities for MSMEs to sell their products not only throughout Indonesia, but also abroad. This is an effective way to increase turnover and expand the market reach of MSMEs.

Digital technology is also the key for MSMEs to obtain valuable market information. With social media platforms such as Facebook, Instagram, and Twitter, MSMEs can understand customer needs and wants, as well as emerging market trends. This information allows MSMEs to make strategic decisions in developing products and marketing strategies.

Although it has many advantages, the use of digital technology also brings challenges. One of the main challenges is the uneven technological infrastructure and internet connection throughout Indonesia. This can be an obstacle for MSMEs in remote areas to utilize digital technology optimally. In addition, the digital literacy of MSME human resources also needs to be improved through training and education, because there are still many who are not familiar with digital technology.

The digital economy provides tools and channels that can increase the competitiveness of MSMEs, expand market reach, reduce temporal and geographical barriers, and increase efficiency (Maharani & Ulum, 2019). The government supports the acceleration of the digitization of MSMEs with the aim of remaining productive and able to adjust to changing conditions such as consumer behavior. However, there are a number of obstacles that need to be overcome by MSMEs to maximize the potential of the digital economy. Some of these include limited access to technology and the Internet, a lack of digital knowledge and skills, and concerns about data security and privacy. In addition, fierce competition with large companies can also be an obstacle for MSMEs to develop in the digital economy era. So it is important to understand how MSMEs can take advantage of the digital economy. In this article, we will outline the role of the digital economy in the growth of MSMEs and identify the opportunities and challenges they face. We will also outline strategies and steps that MSMEs can take to embrace this change and successfully face the challenges of the rapid development of the digital economy.

Literature Review

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Method

The research method used is to use qualitative with an in-depth literature study approach to produce a complete and comprehensive conclusion. In addition, this research is able to embrace a lot of data to get more complete and relevant results. The qualitative research method of literature study is a research method that uses document analysis or literature as the main source of data. Qualitative research of literature studies is usually conducted to gain a deeper understanding of the topic studied through the review and analysis of relevant literature. The qualitative research process of literature study begins with determining the research topic and looking for literature related to the topic through sources such as books, journals, articles, and other related documents. After that, the data found will be collected and analyzed systematically.

Results and Discussion

Micro, Small, and Medium Enterprises

MSMEs or Micro, Small, and Medium Enterprises are a type of business that has an important role in a country's economy. MSMEs are businesses owned by individuals or small groups with fewer than 250 employees. MSMEs also have characteristics such as small business capital, limited business scale, and often using simple technology in production and marketing. In its development, MSMEs can contribute to job creation, increase community income, and strengthen the economic sector at the local level.

Although MSMEs have a limited business scale, the role of MSMEs in the economy cannot be ignored. MSMEs can have a big impact on the economy because the number of MSMEs is quite large and spread throughout the country. MSMEs are also able to become significant drivers of economic growth because they are able to contribute to increasing economic growth, improving people's welfare, and opening up new business opportunities for people who want to be economically independent. Therefore, MSMEs are very important to be developed and supported so that they can grow and develop sustainably, so that they can provide benefits for society and the country as a whole.

Digitalization of MSMEs

Digitization of MSMEs is one of the solutions in facing challenges in the current digital era. MSME digitalization refers to the use of information and communication technology (ICT) in various aspects of business, such as production, marketing, financial management, and administration. In practice, the digitization of MSMEs can be carried out through the use of digital platforms such as websites, social media, mobile applications, and e-commerce. One of the main benefits of digitizing MSMEs is increasing business efficiency and productivity. By utilizing technology, MSMEs can accelerate production and marketing processes, as well as manage stock and finances more effectively. In addition, the digitization of MSMEs can also help MSMEs increase their visibility and business competitiveness in the global market through access to e-commerce platforms and digital marketplaces. However, challenges in digitizing MSMEs also need to be overcome, such as limited resources and limited access to technology for some MSMEs. Therefore, support and coaching from the government and the private sector are important in facilitating the digitization of MSMEs. Through this collaborative effort, it is hoped that the digitization of MSMEs can continue to be improved and provide benefits for the development of the MSME sector and the national economy as a whole.

Technology Adaptation

Technology adaptation refers to the ability of individuals, organizations, or societies to utilize new technologies to improve efficiency, effectiveness, and competitiveness. Technology adaptation is becoming increasingly important in today's digital era, where technology is constantly evolving and affecting various aspects of life and business. In a business context, technology adaptation can help organizations improve performance and provide a better experience for customers. For example, companies can adopt automation technology to improve the efficiency of the production process and reduce production costs. In addition, companies can also adopt digital technology to expand the market and increase customer satisfaction through faster, easier, and integrated services.

However, technology adaptation also requires a good understanding of technology and the ability to manage change. Improper or poorly integrated technology adoption can lead to

failures in implementation and negative impacts on organizations. Therefore, it is important for individuals, organizations, and society to continue to improve their understanding and skills in adopting appropriate and effective technologies. Technology adaptation is also important for the country in facing challenges in the digital era. The state needs to encourage technological development and facilitate technological adaptation for people and organizations to improve competitiveness and economic prosperity. In addition, technological adaptation can also help countries in overcoming various social challenges, such as climate change and health crises, by utilizing technology for more effective and efficient solutions.

Advantages of Digital Promotion of MSME Products

The benefits obtained from promotional activities through digital products are:

- a) It can introduce MSME products to the community, or consumers at large. With the promotion of MSMEs through digital networks, MSME products that are marketed will be known by the public and consumers at large from various lines,
- b) More effective and efficient in digital marketing. The promotion or marketing of MSMEs digitally is more effective, easy and efficient so that it does not take much time, and energy, is cost-effective,
- c) Consumers are more interested in digital promotions because it is easier to recognize the name and brand of the product. Through digital promotion, consumers or buyers are more interested in the MSME products sold and they can be immediately interested and recognized, and remember the product brands of MSMEs that are marketed and can increase consumer interest,
- d) It can make it easier for consumers and producers to buy and sell digitally. With digital promotion, it facilitates interaction or buying and selling relationships, bargaining between consumers and sellers or producers,
- e) Increase profits or profits. Cheap, easy, and effective digital promotion can attract the interest of consumers, widely known to consumers can provide high profits or profits for sellers without spending a lot of money on production,
- f) Can develop MSME products. Digital promotion can also develop MSME products so that MSME products are increasing, known to the wider community both domestically and abroad, from this can stabilize the economy, especially the MSME economy

Another advantage of this digital marketing or promotion is that it is able to provide convenience to customers or consumers, the distribution of MSME products is carried out easily, able to provide satisfaction to consumers, reduce promotional costs, and be quick in providing responses to consumers regarding the MSME products offered (Lestari & Saifuddin, 2020).

Not only that, from this digital promotion, consumers and sellers of MSME products can communicate and relate through the internet, can produce a very high sales rate, are more cost-effective and cheap, sellers and buyers provide real-time services to their customers, stabilize the position of brand products from MSMEs in the eyes of consumers (Utami, 2020).

The digital economy is an economic activity that uses digital technology and computers. Some of the digital economies that are developing today are electronic commerce and financial technology (Kharisma, 2021). The advancement of the digital economy has provided business opportunities to MSME actors, so the skills of workers must be the necessary skills to manage businesses using the availability of technology to increase income.

MSME business opportunities are unlimited; Any region can have the potential to become an MSME company, provided that MSME actors have creative ideas, have innovative breakthroughs and are able to adapt to the current digital economy developments to maximize the development of MSMEs (Indupurnahayu et al., 2022). According to the CORE data survey, up to 70% of MSME actors have increased their income by reaching 30% by joining the digital ecosystem. According to the Bank BRI MSME Business Activity Survey, the MSME Business Activity Index increased to 109.4 in the second quarter of 2022 and shows that MSME actors are at an optimistic level. In addition, MSMEs also have an opportunity by seeing the large number of Indonesian people reaching 255 million people and the increasing application of the Internet of Things (IoT) and Information and Communication Technology (ICT) industries among the rural population. Indonesia is a large country with a large productive age marked by more than 65% of its population under the age of 35 (Maulida & Greece, 2017).

As for digital users, the number of smartphone users in Indonesia has reached 345.3 million or 125.6% of the total population, internet users 73.7%, and internet traffic has increased between 15 and 20%. The emergence of online markets or buying and selling websites has made it possible for everyone to become entrepreneurs, from mothers, fathers to young people who want to sell their products such as food, drinks, cakes, garnish, clothing, or handicrafts. On online websites you can buy a wide range of products. Therefore, this condition must be taken advantage of by MSME actors to take a step forward in creating new innovations, with the presence of the digital economy and government support so that it has implications for significant economic improvement.

One of the digital economy opportunities that is growing and can be taken advantage of by SMEs is the use of web-based or online social media. SMEs can promote products using social media as a tool to communicate which is widely liked by the public, so that social media can be used as a means for SMEs to more easily market their products so that they are easier to be known by the public at large. Nowadays, as we often see, many social

media platforms, some of which are Facebook, Instagram, Whatsapp, Twitter, or even very popular e-commerce applications such as Shopee, Lazada and Tokopedia that provide a forum for MSMEs to promote their food products, fashion and other fields. Harnessing the power of the digital economy to improve the welfare of MSMEs has many benefits, especially for MSME actors and for the community and the government in general. Some of the benefits that can be felt are:

- a) Access to a wider market. Thanks to e-commerce and online marketing platforms, MSMEs are able to reach a very wide market ranging from national and international scales. This allows MSMEs to reach new consumers and increase their sales, which also accelerates economic growth.
- b) Reduced operational costs. The digital economy offers MSMEs the opportunity to reduce operational costs, such as high rental costs for physical stores, by adopting an online business model. They can manage their business virtually and at a lower cost,
- c) Effective marketing and promotion. Thanks to social networks, MSMEs can use them as an effective marketing and promotion tool. They can build a digital brand, engage with potential customers, and expand their network through this platform,
- d) Product and service innovation. The digital economy allows MSMEs to create new and innovative products and services using digital technology. They can develop more attractive products and meet changing market needs,
- e) Creation of networks and relationships. Through the digital economy, MSMEs can associate and collaborate with other business actors. They can support each other, share resources and expand their network to create more business opportunities and share experiences with other entrepreneurs, thus becoming their own incentive to improve their business.

The current digital economy opportunities, if taken advantage of by MSMEs, will help them accelerate their main goal of generating large profits and income, so it is important for MSMEs to explore and integrate the digital economy into their businesses and create innovation through their creativity (Sutantri & Haq, 2023).

The digital economy is not only an opportunity for MSME actors to develop their businesses, but also a challenge for MSMEs themselves, so that competition in the business world will be more prominent when they are able to face the challenges of existing digital economic development. One of the challenges faced by MSME agents is that double-digit internet growth will be achieved in the next three years. Then because the development base is quite high, the development of the digital economy industry is expected to take a long time to be below 10% (Suwarni et al., 2019). But this growth is higher than national economic growth. Even though the growth is rapid, it does not mean that the digital economy in Indonesia is free of obstacles. One of the causes that is considered very problematic is the lack of quality human resources (HR) to enter the digital economy era. The problem is that the condition of education in Indonesia does not produce graduates who

are ready to work with adequate skills. As a result, it is very difficult to progress quickly because you have to build from scratch.

Solutions to support the positive development of the process, including digital developments such as e-commerce, require fast and appropriate regulations to keep up with the rapid development of the digital economy. For example, with the presence of online-based transportation services such as Gojek and Grab Bike, the pros and cons are reaped as long as they are not restricted due to slow (unprepared) regulations. The potential of the digital economy in Indonesia is still categorized as large and will continue to grow every year. E-commerce is not just about buying and selling goods and services online. There are other industries associated with it. For example, delivery or logistics services, telecom service providers, IOT designers, artificial intelligence and others.

Another challenge faced by MSMEs in this digital era is the competition of competitors they face to produce various innovations and services to survive in the local market, and be able to compete in the international market (Marlinah, 2020). MSME actors need to improve their competence in creative and innovative thinking to come up with interesting ideas, and if combined with existing digital technology, they will be able to compete with other competitors. However, if MSME actors do not do this, their business will be slightly hampered because they are unable to compete with their competitors who are able to face the challenges of the digital economy in their business. Therefore, entities must study literature and innovate using technology to adapt to the rapid development of digital technology.

Conclusion

The digital economy offers significant opportunities for MSMEs to digitally transform, create markets, and become part of the global supply chain. However, in order for the digital economy to provide optimal benefits for the growth of MSMEs in Indonesia, challenges such as limited access and technology infrastructure, as well as a lack of digital literacy need to be overcome. MSMEs that are able to adapt to technological advances and innovate their products will be able to compete with their competitors in an increasingly advanced digital economy.

This increasingly fierce competition is due to the many challenges of the growing technology world, therefore the Digital Economy must be used properly for MSME actors so that they are not less competitive with other MSME actors. In addition, it is also necessary to have a high creative spirit to be able to combine technology with a new innovation so that it has its own characteristics and attractiveness. In addition, MSMEs must also be able to strengthen their resilience so that they do not collapse if economic conditions in Indonesia are unstable.

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