The Roles of Digital Transformation for the MSME's Growth

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ABSTRACT

This research is to find out the influences of digital transformation to the MSME's development and growth, especially after COVID 19.
Purpose – This paper seeks to examine the roles of digital transformation whether it is impacted to MSME's growth nowadays.
Methodology/approach – A survey using quantitative approach, by spreading questionnaires to 230 respondents.
Findings – It was found digital transformation impacted to MSME's growth.
Novelty/value – Media social such as Facebook, Instagram adding values of enlarge the customer engagement, but the e-commerce platform have direct impacts for their profit and revenue.

Keywords: digital transformation, MSME, media social, e-commerce

INTRODUCTION

After the COVID-19 pandemic, the MSME sector has become a supporting sector for the Indonesian economy. The MSME sector supports more than 60% of Indonesia's economic turnover. Based on data from the Ministry of Cooperatives and SMEs, the number of MSMEs currently reaches 64.19 million with a contribution to GDP of 61.97% or worth 8,573.89 trillion rupiah. Of course, it is an interesting discussion, how MSMEs can survive during and after the 2022 pandemic, especially how MSMEs can support the national economy. What is interesting to listen to is how most of these micro-enterprises survive, what breakthroughs are made by business owners so that they can survive and even compete with large capital owners. The Ministry of Cooperatives and SMEs noted that as of February 2022, 17.25 million MSME players have joined the digital ecosystem. (Habibie, 2022).

The objectives this research is to find out what kind of digital transformation mostly used by the MSME's owners so they can survive and develop their business during these past three years. This research is also to study the players and MSME's owners so the data can be used to approach them for further development.

LITERATURE REVIEW

SMEs (Small and Medium Enterprises) or some call them MSMEs (Micro, Small and Medium Enterprises) are business activities carried out by individuals or individually owned enterprises. The difference with large businesses can be seen from the total net worth of business actors and the annual sales results. (Hermawan et al., 2022). A business can be said to be a micro MSME business if it has a profit from its business of Rp. 300 million, and has assets or net worth of at least Rp. 50 million (excluding land and building assets). Sometimes, the finances of microenterprises are still mixed with the personal finances of their owners. (Halim, 2020).

Digital Transformation

Digital transformation is a process implemented by organizations to integrate digital technologies in all areas of the business, fundamentally changing the way organizations deliver value to customers. What are the digital transformations? There are four types of digital transformation, namely, business processes, business models, domains, and culture/organizations. We often see companies focusing solely on organizational processes or transformations. (Sabatini et al., 2022). Digital transformation efforts rely on digital technology to turn customer insights into customer-centric products and services. This helps organizations to better engage customers – and get more value for the business. (Rupeika-Apoga et al., 2022). In this research, we focus on how MSME's owners create their business processes especially in marketing and selling, activities using social media platform include e-commerce.

Social Media

Social media is one of the instant media that currently does have various functions in its role. In addition to functioning as a tool for communication, mass media is also a means for its users to explore various information. The positive impact of social media is that it makes it easier for us to interact with many people, expanding associations, distance and time are no longer a problem, it is easier to express ourselves, the dissemination of information can take place quickly, costs less. The advantages of social media features include; (1) the messages not only delivered for one person; (2) the message delivered freely or without having to go through a gatekeeper; (3) The message conveyed tends to be fast and direct; (4) the recipient of the message determines the interaction time. The characteristics of social media are, "network, information, archive, interaction, social simulation (simulation of society), content by users (user-generated content) and sharing (share / sharing). (Straková et al., 2022).

Based on the We Are Social report, the number of active social media users in Indonesia is 191 million people in January 2022. That number has increased by 12.35% compared to the previous year of 170 million people. Seeing the trend, the number of social media users in Indonesia continues to increase every year. (Ramida et al., 2022).

e-Commerce

Ecommerce, also known as electronic commerce or internet commerce, refers to the buying and selling of goods or services using the internet, and the transfer of money and data to execute these transactions. There are three main types of e-commerce: business-to-business (websites such as Shopify), business-to-consumer (websites such as Amazon), and consumer-to-consumer (websites such as eBay). The benefit of using e-commerce are to fasten buying processes, to store and product listing creation, to do cost reduction and to give flexibility and do faster responds to market demands. (Dang & Vartiainen, 2022).
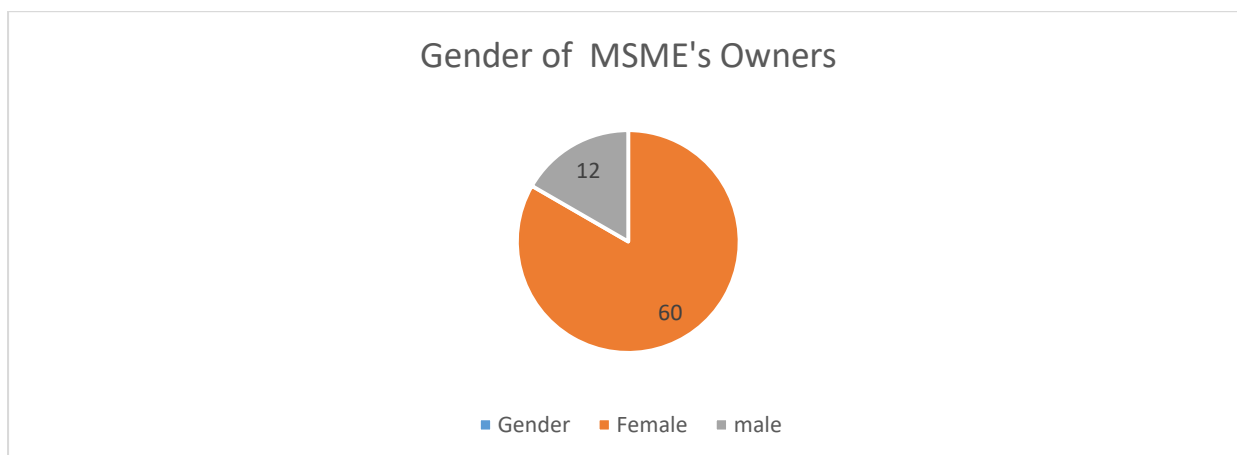
METHOD

This study using quantitative method by spreading questionnaires to 230 respondents, and having 72 valid responses to be analyzed. Using Spss versi 26 for data calculate and hipoteses test
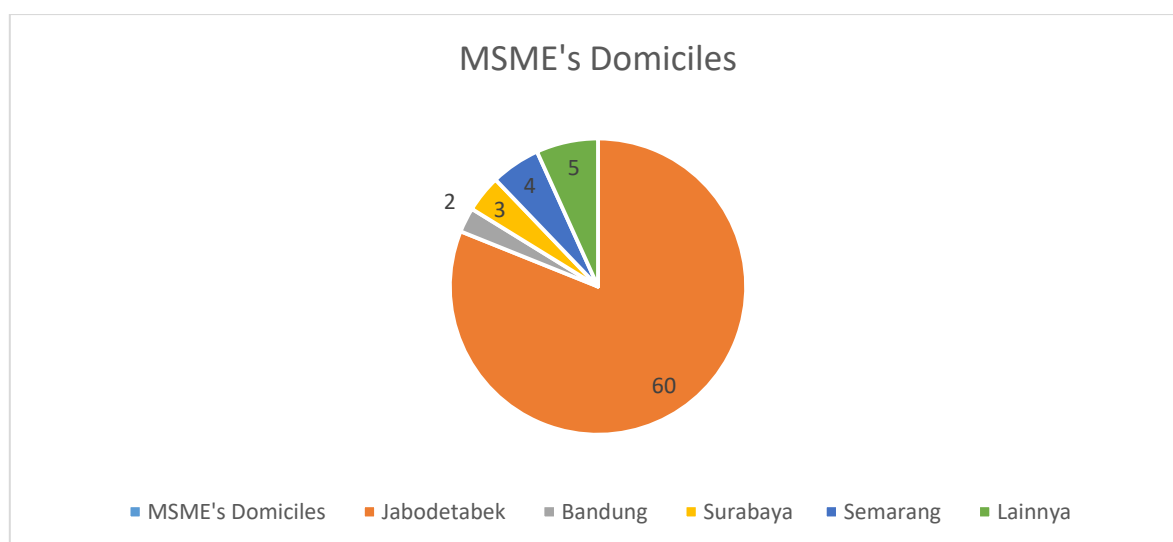
RESULT AND DISCUSSION

From the data we analyzed some results below:
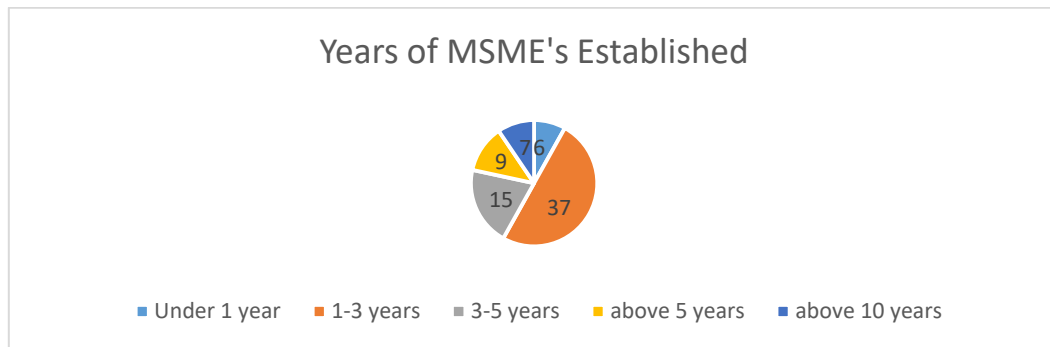
Table 4.1. Gender of MSME's Owners

From the data above, we summarize that the MSME's owners, more than 60% are female.

Table 4.2. MSME's Domiciles

From the data above, most MSME's on this research, more than 60% are located in Jabodetabek area.

Table. 4.3. Years of MSME's Establishment

Years of MSME's Established

■ Under 1 year ■ 1-3 years ■ 3-5 years ■ above 5 years ■ above 10 years

From the charts above, we can summarize that the MSME's owners are female and operate their business mostly in 1-3 years and they domicile in Jabodetabek.

Table 4.4. MSME's Industry Sectors

MSME's Industry Sectors

■ Food & Drinks ■ Fashion ■ Crafts ■ Others
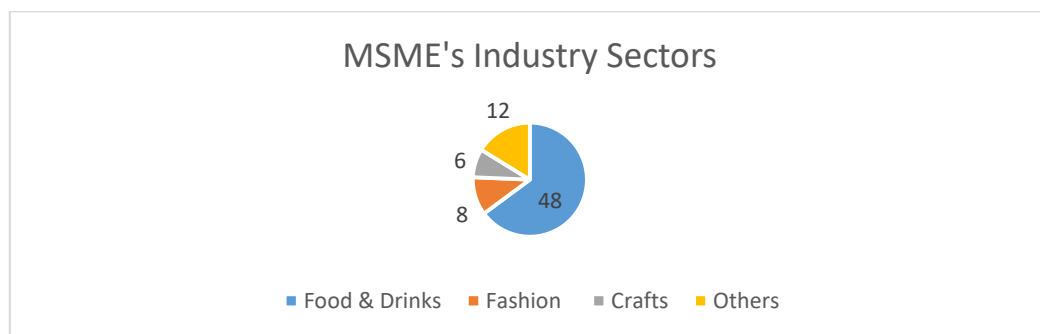
We summarize that most MSME are doing the food and drinks business and others doing crafts and fashion.

From the statistical data, we analyze some calculation as follows:

Table 5.1. Validity Text X_1

Correlations

		X1.1	X1.2	X1.3	X1.4	X1.5	TOTAL
X1.1	Pearson Correlation	1	.834**	.259*	.135	.333**	.558**
	Sig. (2-tailed)		.000	.028	.260	.004	.000
	N	72	72	72	72	72	72
X1.2	Pearson Correlation	.834**	1	.226	.042	.255*	.480**
	Sig. (2-tailed)	.000		.056	.726	.031	.000
	N	72	72	72	72	72	72
X1.3	Pearson Correlation	.259*	.226	1	.374**	.299*	.650**
	Sig. (2-tailed)	.028	.056		.001	.011	.000
	N	72	72	72	72	72	72
X1.4	Pearson Correlation	.135	.042	.374**	1	.635**	.782**
	Sig. (2-tailed)	.260	.726	.001		.000	.000
	N	72	72	72	72	72	72
X1.5	Pearson Correlation	.333**	.255*	.299*	.635**	1	.831**
	Sig. (2-tailed)	.004	.031	.011	.000		.000
	N	72	72	72	72	72	72
TOTAL	Pearson Correlation	.558**	.480**	.650**	.782**	.831**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	72	72	72	72	72	72

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Based on the results of data processing above, it can be seen that the r-count value on all question items is greater than the r-table which is worth 0.1954. So the conclusion that can be drawn based on these results is that all question items are considered valid and reliable to be used as research.

Table 5.2. Validity Test X$_2$

Correlations

		X1.1	X1.2	X1.3	TOTAL
X1.1	Pearson Correlation	1	.063	.318**	.647**
	Sig. (2-tailed)		.597	.006	.000
	N	72	72	72	72
X1.2	Pearson Correlation	.063	1	.456**	.683**
	Sig. (2-tailed)	.597		.000	.000
	N	72	72	72	72
X1.3	Pearson Correlation	.318**	.456**	1	.831**
	Sig. (2-tailed)	.006	.000		.000
	N	72	72	72	72
TOTAL	Pearson Correlation	.647**	.683**	.831**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	72	72	72	72

**. Correlation is significant at the 0.01 level (2-tailed).

Based on the results of data processing above, it can be seen that the r-count value on all question items is greater than the r-table which is worth 0.1954. So the conclusion that can be drawn based on these results is that all question items are considered valid and reliable to be used as research.

Table 5.3. Validity Test Y

Correlations

		Y1	Y2	TOTAL
Y1	Pearson Correlation	1	.223	.695**
	Sig. (2-tailed)		.060	.000
	N	72	72	72
Y2	Pearson Correlation	.223	1	.856**
	Sig. (2-tailed)	.060		.000
	N	72	72	72
TOTAL	Pearson Correlation	.695**	.856**	1
	Sig. (2-tailed)	.000	.000	
	N	72	72	72

**. Correlation is significant at the 0.01 level (2-tailed).

Based on the results of data processing above, it can be seen that the r-count value on all question items is greater than the r-table which is worth 0.1954. So, the conclusion that can be drawn based on these results is that all question items are considered valid and reliable to be used for research.

Table 5.3. Validity Test All Variables

Item	Results (r_{count})	Remarks
X1.1	0,558	Valid
X1.2	0,480	Valid
X1.3	0,650	Valid
X1.4	0,782	Valid
X1.5	0,831	Valid
X2.1	0,647	Valid
X2.2	0,683	Valid
X2.3	0,831	Valid
Y1	0,695	Valid
Y2	0,856	Valid

Based on the results of data processing above, it can be seen that the value of r-count on all variable question items used in the study is greater than the r-table which is worth 0.1954. So the conclusion that can be drawn based on these results is that all question items in the research variables are considered valid and reliable for research.

The results of testing the reliability of all research variables showed the result that the resulting Cronbach Alpha value was greater than 0.6. The results state that the question item in the variable is reliable (reliable).

Table 5.4. Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		72
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.15824915
Most Extreme Differences	Absolute	.082
	Positive	.067
	Negative	-.082
Test Statistic		.082
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Based on the test results above, it is known that the value of Asymp Sig (2-tailed) is 0.200. The resulting value is above the significant value of 0.05 (0.200 > 0.05), so the data testing in this study is normally distributed. From these results, the data in the study can be used for further analysis.

Table 5.5. Multicholinearity Test

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.628	.467		3.483	.001		
	X1	.299	.156	.251	1.912	.060	.570	1.754
	X2	.327	.117	.368	2.802	.007	.570	1.754

a. Dependent Variable: Y

The test results above show that the tolerance and VIF values are at > 0.10 and <10. The conclusion that can be drawn from the equation is that the regression model used does not contain elements of multicholinearity or there is no correlation between the research variables used. The results are in accordance with that a good regression model is that it has no correlation between the free variables used.

Table 5.6. Multiple Linear Regression Test and Partial Test

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.628	.467		3.483	.001		
	X1	.299	.156	.251	1.912	.060	.570	1.754
	X2	.327	.117	.368	2.802	.007	.570	1.754

a. Dependent Variable: Y

Based on the results of multiple linear regression tests that have been carried out, the following regression equation is obtained:
Y = 0,299 X1 + 0,327 X2 + e

Partial Test
From the results of partial testing that has been carried out from the two independent variables used, it can be seen that only one independent variable has an effect, namely the variable (X2) e-commerce. The significant value for the variable X2 is $0.007 < 0.05$, where the value is less than the significant standard used, which is 0.05. As for the significant value of the social media variable (X1) of 0.06, the resulting value is above the significant value used as a measuring instrument, namely 0.05 ($0.06 > 0.05$). So the social media variable (X1) used in the study did not affect the increase in MSME sales.

These results show that sales promotion carried out with e-commerce media (Shopee, Tokopedia live etc.) will have more influence on consumers' shopping interest in the products offered. Promotion with live media will increase consumer confidence in the goods to be purchased, because consumers can see the product even if it does not come directly.

Table 5.7. Simultaneous Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.072	2	7.036	16.253	.000[b]
	Residual	29.872	69	.433		
	Total	43.944	71			

a. Dependent Variable: Y

b. Predictors: (Constant), X2, X1

It can be seen that the results of data processing above for simultaneous testing, the results of data processing show the significance value of the independent variable used in the study of 0.000, where the value is less than 0.05. So, it can be concluded that simultaneously the independent variables used in the study affect the dependent variables.

Table 5.8. Coefficient of Determination Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
					R Square Change	F Change	df1	df2
1	.566[a]	.320	.301	.65797	.320	16.253	2	69

a. Predictors: (Constant), X2, X1

b. Dependent Variable: Y

The results of the data processing above show the Adjusted R Square value of 0.301 or 30.1%, which means that 30.1% of the dependent variable is influenced by independent variables (Social Media and E-Commerce). The remaining 69.9% was influenced by variables that were not studied in this study.

CONCLUSION

The conclusions obtained from the results of the data processing above are as social media variables do not affect the success of MSMEs in selling their products. Hence, E-commerce variables affect the success of MSMEs in selling their products. Overall, independent variables (social media and e-commerce) affect the success of MSMEs.

This research only looks at social media and e-commerce factors to find out the success of MSMEs in selling their merchandise products. Based on the results of the coefficient of determination that has been tested, the influence of the two independent variables is only 30.1% on the success of MSMEs. So that in the future it is necessary to study more deeply about other factors that can affect the success of MSMEs in selling their products, such as the marketing methods used or providing samples to consumers to attract more buyers. We would also like to suggest the larger respondents and do specifically analyze their percentage profit after doing digital transformation in the business and focused on the line business sectors such as only for food and beverage, fashion or others separately.

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