

ADOPTION OF THE TRANSFORMATION DIGITALIZATION MSME OF JAMBI PROVINCE IN THE COVID ERA

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Abstract

The global Covid-19 pandemic, which is endemic in all countries globally, has brought many changes in life and affects all sectors of human life. Micro, small and medium enterprises (MSMEs) are business entities that can survive when the country is in crisis. However, in this Covid era, with restrictions on community activities and increasingly sophisticated technology, MSMEs experience stagnation, do not develop, and even go bankrupt. The strategy that MSMEs must take to survive the pandemic is to transform digitalization in every business activity. For this reason, this research was conducted to look at the state of MSMEs in adopting digitalization transformation during the covid period and to see aspects that affect the adoption of digitalization transformation. This study developed a structural questionnaire, randomly distributed to 100 micros, small and medium enterprises spread across Jambi Province, but 46 MSMEs returned and completed the questionnaire to achieve this goal. This study uses questionnaires and interviews to find answers to the adoption of digitalization transformation. This study found that provincial SMEs adopted digitalization transformation as a marketing and sales strategy. In terms of accounting and financial reports, many still use manual systems. This is due to the lack of knowledge and understanding of MSME actors regarding the digitization of accounting and financial statements and the costs incurred to purchase accounting applications and financial reports.

Keywords: Adoption, Digitalization Transformation, MSMEs, Covid

INTRODUCTION

The COVID-19 pandemic has had an impact on all sectors of people's lives. One of them is in the Micro, Small, and Medium Enterprises (MSME) sector, the most crucial part of the economic sector, which has felt the impact. The impact felt by MSMEs in Indonesia is the slowdown in the economic sector, where sales decreased drastically until it went bankrupt. So far, MSMEs are the driving force of the domestic economy and absorb the most labor. Based on the results of a survey conducted by the Asian Development Bank (ADB) in July 2020, it was recorded that 88% of MSMEs in Indonesia had run out of cash or savings, and more than 60% of

MSMEs had reduced their workers (Hoesen, 2021).

The Covid-19 pandemic has reduced people's purchasing power. This happens because of restrictions on community activities outside and inside the room to reduce the level of the spread of the pandemic. This has resulted in a change in people's buying interest where there is a digital diversion of purchases; as a result, many MSMEs have to close their businesses due to declining purchases and are still dependent on offline sales. Many MSMEs have not adapted digitally in the end, and they are so affected that they close their outlets. Even so, the Covid-19 pandemic has indirectly prompted new changes in Indonesia's business style. The

difference is the shift from offline business to digital business, also known as the phenomenon of digital entrepreneurship. Social media and marketplaces (intermediaries) can be a concept to make it easier for MSME actors to get more comprehensive marketing access (Purnomo, 2019).

Some experts reveal that MSMEs need the role of digital technology to improve performance and productivity (Papadopoulos et al., 2020). Technology has presented a vital role, namely digital technology in MSMEs. Due to restrictions on large-scale activities, most business activities are carried out digitally, such as business and administrative processes. As a result, digital transformation is carried out on business processes from the company to customers and from the company to its employees. So that the acceleration of digital transformation occurs in MSMEs and customer infrastructure. According to data from the Ministry of Cooperatives and MSMEs, to date, of the number of MSME actors, only about 13% are connected to the digital world or use digital means in their business activities (Andriani 2020). Jambi Province MSMEs that have used digital facilities have not yet reached 25% (Doni Triadi, 2020). This is still far from the government's target, which is targeting 30 million MSMEs to enter the digitalization ecosystem (Fiki Satari, 2021).

Digital transformation is a term used in academics to refer to organizational changes influenced by digital technology. Digital transformation occurs because of changes driven by technological developments in organizations and the environment. Changes that occur are related to business process adjustments, including transitions between companies and employees and companies with customers and changes that occur in current market conditions (Henry Lucas et al., 2013). Verhoef et al. (2019) argue that digital transformation and business

innovation can change customer expectations and behavior, suppress traditional companies and market disruptions. Changes in customer needs and behavior also force companies and general administration to excel in digital transformation. Many business sectors require change, and organizations or companies carry out digital transformation.

Several previous studies have shown that digital development strategies for SMEs in providing information technology infrastructure, production processes, and market expansion in the short, medium, and long term so that small and medium enterprises are competitive and can improve their performance (Slamet et al. al, 2016). Furthermore, the research results of Purwana et al. (2017) found that as many as 42% of MSMEs tend to choose social media platforms to digitize due to the ease of operating them. Bambang (2020) stated that digital MSME actors must synergize with netizens in marketing products and services. Furthermore, research conducted by Wiralestari et al. (2020) shows that digitalization can also assist in recording transactions to making financial reports and the importance of financial reporting in decision making. This is because it provides convenience, accuracy and reduces the risk of recording. Based on the description above, the researchers are interested in seeing and verifying the application of digitalization adoption to SMEs in the Covid-19 era in Jambi Province.

METHODS

This study uses a quantitative and qualitative research approach. Research with a quantitative approach where research is obtained from interviews conducted using a structured list of questions. Qualitative research is obtained by getting information through literature studies related to the adoption of digital transformation in SMEs. The reason this

research uses two scientific approaches aims to be able to provide an overview of the state of MSMEs in adopting digital transformation during the current covid situation.

This study obtained data through literature studies and interviews with MSME actors in Jambi Province to obtain research data. The selection of the survey sample was carried out using the random sampling method. Withdrawal of research samples using the formula from Taro Yamane or Slovin to obtain 100 MSMEs from 104,155 MSMEs in Jambi Province. However, at the time of returning the questionnaire, only 46 SMEs returned the questionnaire. This study uses a simple statistical descriptive analysis to analyze the results of the survey questionnaire. The data analysis technique aims to provide an overview and current situation of the adoption of digitalization transformation on SMEs in Jambi Province.

RESULTS

The adoption of digitalization is one of the survival strategies that can be applied during the current pandemic. In addition, adopting digitalization provides benefits as a tool for interaction where actors can give and obtain information on activities that can improve their business, brand storytelling, and copywriting (Virgia and Wahyuni, 2020).

The impact of adopting digitalization has changed MSME activities which initially used offline sales to become online sales. At this stage, MSME actors are in the first stage of digitalization adoption, namely the pre-adoption step. At this stage, MSME actors begin to seek information and learn what information technology will be used. After they find the information technology, they enter the next stage, namely the evaluation stage or choose to adopt or not. The final stage of digitalization adoption is purchasing and using information

technology or the adoption stage (Nagy, 2010; Kim & Crowston, 2011).

Digital transformation is causing significant changes that are driven by advances in information technology. The characteristics of digital transformation are complex innovations in all systems of society, changes in market fundamentals, reshaping boundaries, and fundamental changes in business models. Priyono et al. (2020) found that the strategic choices of SMEs to carry out technological transformation during the COVID-19 pandemic can be classified into three digital strategies, namely (1) SMEs with a high level of maturity that can answer challenges by accelerating the transition to digital companies, (2) SMEs experiencing liquidity problems and low levels of digital maturity decide only to digitize the sales function, and (3) SMEs that have minimal digital literacy but are supported by high social capital will solve the challenge by looking for partners who have excellent digital skills. Fitriasari (2020) that digital transformation not only introduces new technology for existing business activities but also provides convenience in redesigning all business models according to customer needs.

According to Heripracoyo (2014), the adoption of digitalization can be seen from the Cloud computing service model. Cloud computing utilizes various kinds of computer technology and internet development that provide convenience and can be accessed simultaneously (Warjiyono, 2014; Hendri, 2015). Heripracoyo (2014) divides cloud computing into several parts, which include platform as a service (PaaS), Software as a service (SaaS), and Infrastructure as a Service (IaaS). PaaS is the ability of SMEs to disseminate business information into cloud computing applications with the provider's help, in other words using e-marketplaces as a sales medium. Examples of this PaaS are SMEs joining Bukapalاک,

Shopee, Lazada, Tokopedia, Go-Jek, Grab, etc. SaaS is the ability of SMEs to use applications that operate in the cloud and can be accessed from various devices. SaaS can be found when MSMEs use Microsoft applications, youtube, yahoo mail, social networking (Facebook, Twitter, Instagram, WhatsApp, Pinterest, etc.). IaaS is the ability of SMEs to process, store, network, and perform other computerized activities. Examples of this IaaS activity are SMEs

using computers, cellphones/androids, tabs/ipads, laptops, wifi, LAN, memory, storage, RAM, network, AT&T, etc.

Based on research data, MSMEs in Jambi Province have adopted digitalization to support business activities. The results of the study show that most of them conduct business activities through social media. This can be seen as follows:

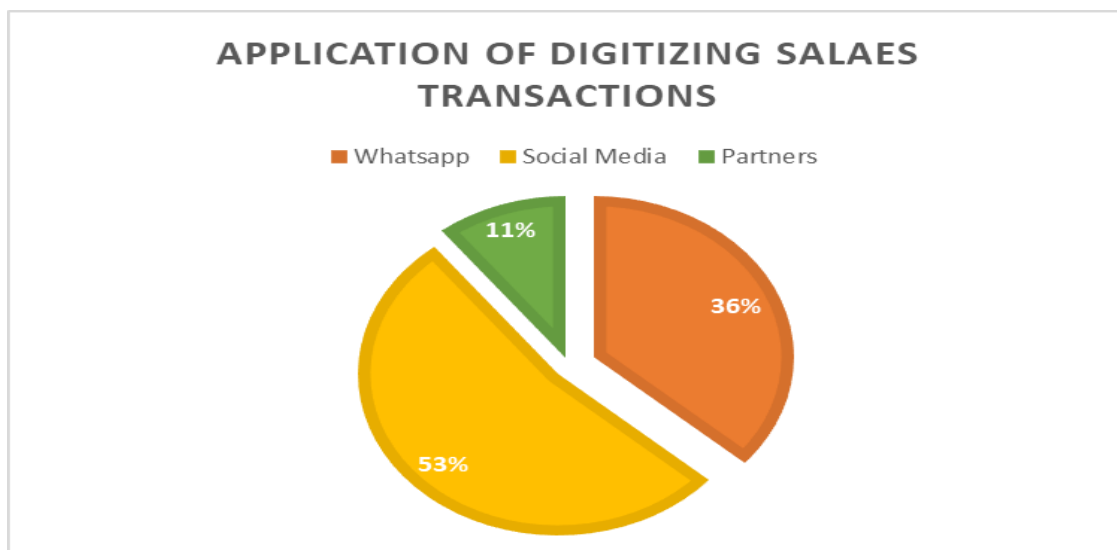


Figure 1. Application Of Digitizing Sales Transaction

Figure 1 shows that most perpetrators (53%) of MSMEs in Jambi Province use social media to promote their business. Furthermore, 37% of MSME actors carry out their business activities using WhatsApp, and the rest (11%) choose to partner with third parties (gojek, grab, maxim, etc.).

Sales using a digitalization system will change the payment system for sales transactions, where payment for sales transactions also uses a digitalized payment system. Research data shows that MSME actors have started to implement digitalized payments, which can be seen in the image below:

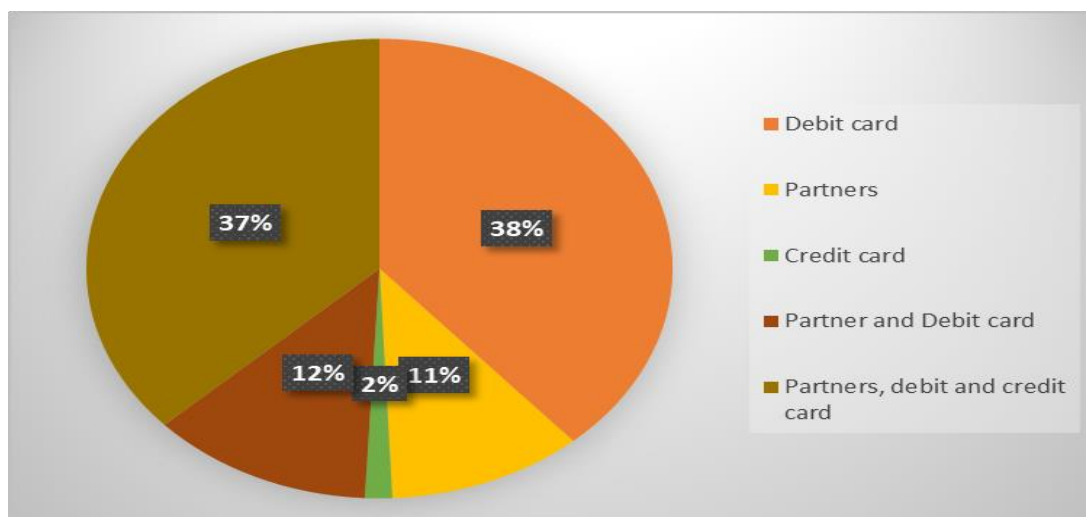


Figure 2. Digitalized Transaction Payments

Figure 2 shows that the majority (38.5%) of MSME actors receive payments using debit cards. In the second place, MSME actors accept payments by debit card, credit card and partner with third parties. Then as many as 12.3% of MSME actors only accept payments by debit cards and partnerships. MSME actors who only receive payments from partnerships are 10.8%, and the remaining 1.5% only receive payments using credit cards. To support digitization activities, supporting devices/infrastructure are needed. Based on interviews and research observations, Jambi Province SMEs have used digitalization infrastructure in laptops, computers, cellphones, wifi, and LAN. The results of this study indicate that MSMEs in Jambi Province have adopted digitalization in their business activities even though in terms of sales, transaction payments, and infrastructure are optimal. However, the adoption of digitalization for actions related to financial reports has not been carried out optimally. Many have not used financial software applications, which are constrained by their knowledge and understanding of these applications. There are still many MSMEs in Jambi Province that have not digitized their financial reports. Based on the results of this study, only 21.7% of Jambi Province SMEs recorded transactions using excel, and the rest were still using the manual method.

CONCLUSIONS

Based on the research and discussion results, it can be concluded that Jambi Province SMEs have adopted digital transformation. Currently, adoption is only done to increase sales and communicate between sellers and buyers in introducing their products. However, in terms of accounting records and financial reports, only a few MSMEs use digitalization. Digitization is limited to recording sales and purchases through excel. It is hoped that the Jambi Province MSME actors will increase literacy in digitization so that MSMEs can fully adopt the digitalization transformation.

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