

Micro and Small Business Development by Using Digital Economy

Ellen Rusliati, Mulyaningrum Mulyaningrum

Faculty of Economic and Business

Universitas Pasundan

Bandung, Indonesia

ellenrusliati@yahoo.co.id, mulyaningrum.unpas@gmail.com

Abstract—The purpose of this study was to exploit the local potential owned by entrepreneurs in Majalengka District with the opportunity of the establishment of West Java International Airport. The research method used was a descriptive qualitative method with an analysis unit is Majalengka Youth Entrepreneur Forum. The result obtained was creativity caused entrepreneurs to develop new products and market penetration, thus increasing sales and ultimately increasing revenue. Creativity development could be done by utilizing information and could be applied starting from engineering, production, marketing stage until after sales service. The conclusion is utilization of information technology could be done through digital programs which can increase of MYEF Performance on Digital Economy.

Keywords—micro and small business; digital economy; Majalengka District

I. INTRODUCTION

The Industrial Revolution 4.0 took place in early 2018 marked by a cyber-physical system. Today the industry is beginning to touch the virtual world, shaped in human, machines, and data connectivity. This revolution can reduce costs, with the support of collaboration between industry players [1]. The key words are two, firstly near future, the change is not in the long term, but in a matter of months. Second is an ecosystem that can change human behavior. Industry actors need to collaborate in order to form a digital ecosystem and this opportunity can be utilized by young entrepreneurs who understand technology and are always responsive to change. Industry 4.0 improves SME based supply chain communications and enhance business performance [2].

Gini ratio in Indonesia in 2016 was 0.39 with a growth of 5.02% and predicted in 2019 the Gini ratio decreased to 0.36 with a growth of 6.40% (Coordinating Ministry of Economic Affairs of Indonesia Republic, 2017). This target can be achieved with development in various sectors. Majalengka District is currently an agricultural area with the majority of the population having a livelihood as farmers and the contribution of the agricultural sector to GRDP reaches 26.85% (*BPS/Badan Pusat Statistik* of Majalengka District, 2015). The operation of the West Java International Airport (WJIA) provides opportunities for people who make a living as farmers to become farmers who are more market-oriented, if they still want to survive and even win competition.

The power of the internet has had significant impacts on the content industry [3]. The development of information technology provides opportunities for micro and small entrepreneurs to operate efficiently and effectively, from developing ideas, production processes, funding, to marketing. Likewise, with consumers, the development of information technology has changed the way to obtain information and buy goods/services. The development of this technology has resulted in entrepreneurs operating traditionally not being able to survive and eventually being excluded from competition.

Some companies that successfully utilize digital service development in Indonesia as stated by Australia Indonesia Partnership for Economic Governance [4] are Go-Jek (www.go-jek.com), Tokopedia (www.tokopedia.com), Traveloka (www.traveloka.com), and Ralali (www.ralali.com). Achieving sustainability of small and medium-sized enterprises (SMEs) in a digital economy era, which is organizational factors, personal factors, and innovations and external factors, likes information technology readiness of companies, proactive role and support government, perceived benefit of information technology and external pressure are raising consumer expectation [5].

Digital economy is defined [6] as the global network of economic and social activities that are enabled by information technologies such as social networking, website and so forth, which provide the new opportunity for entrepreneurs to increase sale, decrease cost, and remove market boundaries and barriers. Digitization is key to digital transformation (digitalization) but valuing the contribution it makes to that transformation is only part of what's required when we think about digital economy [7]. Bureau of Economic Analysis (BEA) referenced the Organization for Economic Cooperation and Development's (OECD) defines digital economy [8]: (1) the digital-enabling infrastructure needed for a computer network to exist and operate, (2) the digital transactions that take place using the system ("e-commerce"), and the content that digital economy users create and access ("digital media").

Digital economy fully capture benefit to [9] economy (growth, productivity, competitiveness; Businesses and entrepreneurs; Individual (workers, consumers, citizens), and society. The digital economy has enabled fast revenue growth for many firms; encouraged the shift from tangible flows of physical goods to intangible flows of data and information;

enabled firms in developing economies to connect across; and has thus facilitated in cross-border data flows [10].

The main drivers for SMEs wanting to embrace the digital economy are internal efficiencies, cost reductions, better collaboration and new product and service offering [11]. The digital economy index only included five specific indicators: users with access to broadband internet, mobile internet users, mobile internet access traffic, e-commerce transactions, and online retail sales as a proportion of total retail sales [12].

The rapid development of information technology along with the industrial revolution 4.0 can be followed well by the young generation who are friendly with the development of information technology. U.S. Census Bureau Data defines millennial generation are those born between 1981 - 1997, aged 21-37 years. They are the first generation that will bring change to the next generation. Millennials are indeed worthy of attention, they are smart, creative, and passionate about many issues [13].

The establishment of Majalengka Young Entrepreneurs Forum (MYEF) enables young entrepreneurs to exchange information on raw materials, production processes, promotional alternatives, and products. The entrepreneurial youth generation enables the development of the digital economy in Majalengka, in the hope of creating new jobs, initiating rural development and reducing economic disparity. This research focused on members of MYEF with agribusiness, processing of agricultural products into food ready for consumption. Value Chain Agribusiness based Agricultural [14] is shown in Figure 1.

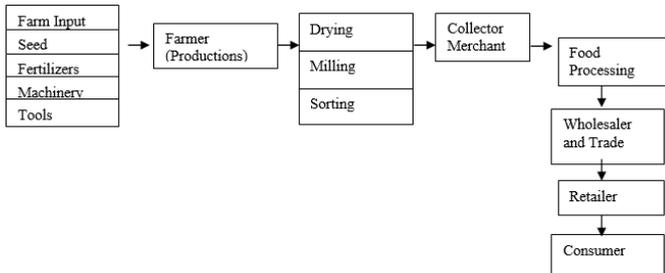


Fig. 1. Value chain agribusiness.

The important factors of success for SME's digital programs [6, 11] are (1) Peer-to-peer contact to inspire young entrepreneurs in their digitization of business, as well as peer to larger organizations or experts, (2) Knowledge transfer should be very concrete and driven by the company's particular business need. The general business subject should be taught for learning to solve general business challenges, (3) The whole organization should be trained and the purpose of the training should be able to command the actual technology for its practical purposes, (4) interventions should be designed step process with the pace set by the business project in question and specifically tailored for the SME. Effective IT adoption will in turn assist SMEs to be successful with IT institutionalization [15].

II. METHODS

The analytical method used was descriptive qualitative through questionnaires, in-depth interviews, secondary data surveys and tracing, with the aim of obtaining adequate information to be analyzed and obtaining adequate conclusions for the development of MSMEs in the future. The unit of analysis was MYEF members as many as 64 people and who attended the sixth session meeting as many as 23 people, 16 of whom were culinary entrepreneurs, processing agricultural products into various foods sold to wholesalers as well as direct consumers.

III. RESULTS

Small and Micro Enterprises in Majalengka could be grouped based on their understanding of information technology, which were (1) understood and followed developments and utilize them for business, (2) understood and followed developments, (3) do not understood. Majalengka Young Entrepreneurs Forum (MYEF) is a forum that gathers young entrepreneurs Majalengka who have interest and care about the development of business potential in Majalengka District. The existence of airport development in Kertajati with international standard, toll road development, gave opportunity to various sectors of life including in economic sector. The forum consisted of 64 young entrepreneurs under the age of 31 with culinary business, services, creative industries, fashion, and others.

MYEF belonged to a group that understands information technology and used it for business. They used information technology to gain new ideas in the engineering process of planting, production, products produced, and marketing. The purpose of the establishment was for friendship and practice, meetings and workshops conducted once a month, lectures conducted through WhatsApp once for 2 weeks.

Descriptive analysis results showed the utilization of technology for business purposes in sufficient condition with an average value of 2.85. Young culinary entrepreneurs in Majalengka utilizes technology in searching for creative ideas to produce products, socialize, and utilize internet-connected mobile phones to support business progress. Some of the perceived weaknesses were running a technology-based business, knowing competitors' weaknesses in creating products, using software for recording activities, and always adhering to predetermined plans and deadlines.

IV. DISCUSSION

Majalengka Young Entrepreneurs Forum consisted of Majalengka young entrepreneurs under the age of 31, interested in the business world and understood the information technology to develop its business. Utilization of information technology could be done in various stages of agricultural business (agribusiness), starting from the preparation stage, namely the selection of agricultural suppliers to the delivery of products to consumers.

The digital economic development model in the agribusiness sector is shown in Figure 2.

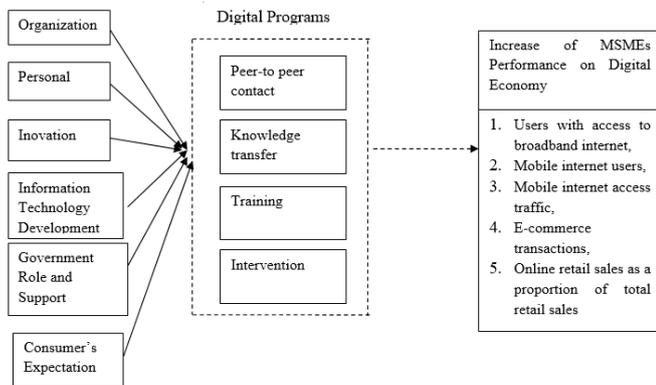


Fig. 2. Digital economy agribusiness development model.

The development of digital economy for MYEF members is at an early stage. For example, using the internet to search for new product ideas, purchasing raw materials, promotion, market exploration, packaging, and production processes in order to produce products that are in line with consumer needs, but retail e-commerce and online sales transactions cannot yet be implemented.

The development of micro and small businesses in the digital economy era depends on several factors including organization, personal, innovation, development of information technology, the role and support of the government, consumer expectations for the products and services provided. The establishment of MYEF was intended to establish friendship between Majalengka young entrepreneurs, exchange information and experiences and motivate each other with meetings held every month. This meeting allows for (1) Peer-to peer contact, (2) Knowledge transfer, (3) Training, (4) Interventions.

Consumer plays an important role in business. Products and services that are in line with consumer expectations, enabling businesses to obtain the desired income and profit. Searching about consumer expectations can be known through the use of information technology by looking at promotions, designs, product development by competitors.

Government Support in Financing MSME is listed in NAWACITA (Nine Priority Agenda) item 6.8 point 5 [15] that is increasing the competitiveness of SMEs and Cooperatives. Facts in Indonesia, MSMEs represent the majority of businesses in Indonesia (99.9%), providing 97.2% of employment, accounting for 59.1% of GDP. Five areas of support for MSMEs include: Financing, Business Climate, Technology, Managerial Capabilities, and Market Access, which increases people's productivity and competitiveness in international markets so that the nation of Indonesia can advance and rise with other Asian nations.

Young entrepreneurs, including millennials, are able to use information technology to run their businesses. Starting from the search needs of consumers, do segmentation of market, and determine the target market segment, and products to be generated. Furthermore, innovating products are produced to meet consumer needs including promotion and distribution.

Utilization of information technology allows young entrepreneurs to innovate through searching research and development results conducted by universities, competitors, or exposure of alternative products from abroad to meet consumer needs. Determination of the intended market segment is very important to obtain assurance that the product to be produced can be absorbed by the market. Searches on new product development, production process and targeted market provide information to entrepreneurs to meet customer expectations. Government support through Majalengka MSME Office is manifested in the form of facilitation of permit handling and registration of P-IRT (*Produk Industri Rumah Tangga*) and Halal certification of MUI.

V. CONCLUSION

Development of digital economy in Majalengka has a potential to be developed by relying on young entrepreneurs including millennial generation. MYEF members already understand the importance of creativity to produce superior products, socialize with the community, find creative solutions to every problem faced, and utilize mobile phones connected to the internet to support business progress. Weaknesses faced were running a modern business that was technology-based, knowing the weaknesses of competitors in creating products, using software for financial recording activities, as well as the date and time limits that have been set. MYEF can be relied upon as a means to implement digital programs, in the form of peer to peer contact, knowledge transfer, training and intervention. The implementation of digital programs needs to be supported by organization, personal, innovation, information technology development, government role and support, and consumer expectations.

ACKNOWLEDGEMENT

I thank all who in one way another contributed in the completion of this articles and DRPM-KEMERISTEKDIKTI who had funded this research.

REFERENCES

- [1] R. Mengko, Kolaborasi Jadi Kunci Sukses Revolusi Industri 4.0. [Online]. Retrieved from: <http://m.detik.com>, Accessed on: 28 May, 2018.
- [2] J. Harris, Industry 4.0 for Small and Medium Enterprises (SME) Manufacturers. Steel Founders' Society of America, Leadership meeting. September 11, The Landing South Lake Tahoe, CA, 2017.
- [3] World Economic Forum, The Business Creativity: Seeking Value in the Digital Content Ecosystem. January, 2015.
- [4] Australia Indonesia Partnership for Economic Governance, The Digital Economy in Indonesia [Online]. Retrieved from: Eng.kppu.go.id, 2017.
- [5] T. Limsarun, The Sustainability of Small and Medium-Sized Enterprises (SMEs) in a Digital Economy [Online]. Retrieved from: Era.www.inter.siam.edu. Accessed on June 23rd, 2018.
- [6] N. Janaratne, "A framework for Improving Innovation capability of SMEs to enhance competitiveness in digital economy," Paper presented at 27th Annual SEANZ Conference: Sidney Australia: Small Enterprise Association of Australia and New Zealand, 2014.
- [7] N. Ahmad and J. Ribarsky, "Towards a Framework for measuring the Digital Economy," Paper prepared for 16th Conference of IAOS OECD Headquarters, Paris, France, 19 – 21 September, 2018.

- [8] K. Barefoot, D. Curtis, W. Jolliff, R. Jessica, N. Nicholson, and R. Omohundro, *Defining and Measuring the Digital Economy*. Bureau of Economic Analysis. U.S. Department of Commerce, 2018.
- [9] J. Manyika, *Digital Economy: Trends, Opportunities and Challenges*. Extracts from Mc, Kinsey Global Institute Research.
- [10] R. Bukht and R. Heeks, *Digital Economy Policy in Developing Countries*. Center for Development Informatics. University of Manchester. UK, 2018.
- [11] H.V. Jensen, S. Tofalleti, C. Thornley, and S. Murnane. *Grand Coalition for Digital Jobs. Digital Skills for SMEs*.
- [12] China NBS, *The New Momentum and New Economy are growing robustly*. In the book "New Economy Report" edited by the Academy of International Comparison, 2017.
- [13] W.H. Frey, *The Millennial Generation: A demographic bridge to America's diverse future*. Metropolitan Policy Program at Brookings, 2018.
- [14] Coordinating Ministry of Economic Affairs of Indonesia Republic, *The Future of Indonesia In The Digital* [Online]. Retrieved from: [Era. www.ekon.go.id](http://Era.www.ekon.go.id), 2017.
- [15] M. Ghobakhloo, T.S. Hong, M.S. Sabouri, and N. Zulkifli, "Strategies for Successful Information Technology Adoption in Small and Medium-sized Enterprises," *Information*, vol. 3, pp. 36 – 67, 2012.