

Market Digitalization Impact of Income SMEs during Pandemic

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ABSTRACT

This research aims to determine the effect of market digitization on SMEs income in Medan. Sampling using the accidental sampling method as many as 100 respondents in Medan. The method of data collection is by distributing online questionnaires. The method of data analysis in this study used regression analysis. The results of the analysis explain that market digitalization affects the income of SMEs in Medan. SMEs income increases due to market digitization in Medan.

Keywords: Market digitalization, Income, SMEs

1. INTRODUCTION

Technological developments affect all sectors. The market is also experiencing changes due to technology, to change from a traditional market to a modern market. Traditional markets are places where sellers gather by selling their various merchandise in a conventional manner, interacting directly between sellers and buyers with prices that are not fixed, and can make bargains. (Ariyani & Nurcahyono, 2014). While the modern market is not much different from the traditional market, it's just that the price determined by the seller is fixed and non-negotiable, so the goods sold are already labeled with a price. (Santosa, Suharjo, & Sumiyarsih, 2020). One of the implementations of modern market is e-commerce. trading. E-commerce is a market that runs by using information systems as a medium that uses internet technology. Where this e-commerce transaction, traders and buyers do not meet in person but use the application platform as a transaction medium. (Sigalingging & Sitepu, 2020). The emergence of e-commerce is a market digitization process, especially during the current pandemic. SMEs are one of the main actors in the process of digitizing the market. Changes in the conventional marketing system require SMEs to also change the marketing system for their products to survive in the market. However, for SMEs, this market digitization process requires a lot of preparation. The government also encourages the readiness of SMEs to follow market changes.

The development of UMKM in Medan continues to increase every year. This is evidenced by the increase in employment opportunities for SMEs in Medan. Based on these data, of course, the government must continue to increase the growth of SMEs, because with the increase in SMEs, the absorption of the number of workers is also getting bigger. With changes in technology, SMEs must follow changes to survive in the market and increase income. Income is a person's net receipts, either in cash or in kind. The result of selling the factors of production owned is income. These factors of production are purchased to be used as inputs in production. The prices of these production factors are determined by supply and demand (Poniwati Asmie, 2008).

This change can be in the form of market digitization, namely a change from a conventional market to an online market. Market digitization is expected to help SMEs, especially in the current pandemic era. Digitization is the process of transferring media from print, audio, and video to digital form. Digitization is carried out to create document archives in digital form, for photocopying functions, and to create digital library collections. Digitization requires equipment such as computers, scanners, source media operators and supporting software (Sukmana, 2005). On September 29, 2020, the Medan City Cooperatives and SMEs Service launched the "Medan City SME Cooperative Products Go Digital" program. In this program, SMEs are encouraged to exist and market their products online

through digital media. Because this step is considered strategic in line with the development of industry 4.0 and the Covid-19 pandemic conditions make social distancing.

In general, the problems faced by micro, small and medium enterprises include: (Jafar Hafsa, 2004)

1.1. Internal factors

1.1.1. Insufficient capital

To develop a business, the main factor is capital. In general, SMEs capital is lacking because limited capital only comes from individuals, namely owners, capital from loans is difficult to obtain because it has not met the administrative requirements by banks with SMEs scale.

1.1.2. Human Resources are Limited

In general, SMEs are family businesses that are hereditary. Therefore, SMEs have limited human resources in terms of formal education and expertise which has a very large impact on business management so that they can develop. Due to limited human resources, it will be difficult to keep up with technological developments.

1.1.3. Weak Business Network and Market Penetration Capacity

SMEs usually still have a network that is limited to only families because they do not have an outgoing network. Therefore, SMEs are less competitive because they are still in a no-rival zone and lack of human resources capable of looking for external networks. This is different from businesses that already have a solid network and are supported by technology that can reach internationally and have good promotions.

1.2. External Factors

1.2.1. The Business Climate Is Not Completely Conducive

Competition between small and large entrepreneurs makes the situation unfavorable even though government policies have been issued to assist SMEs. Still can't compete with big entrepreneurs.

1.2.2. Limited Facilities and Business Infrastructure

Information about scientific and technological progress is lacking, which causes the facilities owned by SMEs to not develop.

1.2.3. The Implications of Regional Autonomy

With the enactment of Law No. 22 of 1999 on Regional Autonomy, regional authorities have autonomy to regulate and manage local communities. This system change will have implications for small and medium-sized businesses in the form of new fees imposed on micro, small and medium enterprises (MSMEs). If this condition is not addressed immediately, it will reduce the competitiveness SMEs.

1.2.4. Free Trade Implications

The APTA which applies in 2023 and APEC in 2020 has broad implications for SMEs to encourage competition to enter free trade. SMEs are required to carry out the production process productively and efficiently, and to be able to produce products that are in accordance with the frequency of the global market with quality standards.

2. METHOD

This research is a quantitative and descriptive research. Descriptive research is an analysis used to provide an overview of the data collected in the study (Ferdinand, 2014: 9) This research was conducted in the city of Medan, North Sumatra, Indonesia, and the population is SMEs in the city of Medan. The sample in this research is 100 units. business with the minimum criteria of income less than Rp. 300,000,000 per year.

The type of data used in this research is primary data by distributing questionnaires to samples. The secondary data in this study were taken from the study of documentation from journals, books and internet sites that can support the data of this research. Sampling was done by accidental sampling, which is a random sampling technique but in accordance with the research objectives. The first test that was conducted was the validity and reliability test. The validity test was conducted to measure whether the data obtained after the research was valid data and in accordance with the measuring instrument used. Reliability tests were conducted to show the level of confidence in the measuring instrument based on the respondents' answers. Then the classical assumption test is used to assess whether in a linear regression model there are classical assumption problems such as the normality test which is intended to determine whether the data is normally distributed or not by looking at the results of the chi square value on smartpls. Simple regression analysis was used to determine the effect of independent variables on the dependent variable.

3. RESULT

A simple regression test was conducted to see the effect of market digitization on SME income in Medan during the pandemic. The result is as below:

Table 1. Test results of t test analysis

Mean, STDEV, T -Values, P-values					
	Original sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (I0/STDEVI)	P Values
market digitization -> income	0,740	0,761	0,036	20,317	0,000

From the table above, market digitization by SMEs increases income during the pandemic. With the results of the t statistic of 20.317 > ttable of 1.66055 with P Values of 0.000 < 0.5. The regression equation for the results is as follows:

$$Y = 0.740X$$

Table 2. R Square test

Matrix	R Square
Income	0,547

Based on the results of the t-test, market digitization has an effect on the income of SMEs in Medan City. Furthermore, the coefficient of determination is tested to see how much influence the independent variable has on the dependent variable. From table 2 above, it can be concluded that the effect of market digitization on the income of SMEs in Medan City is 0.547 R square or about 54.7 percent. The increase in SME income is caused by other factors not examined in this study.

4. DISCUSSION

Based on the results of data processing, it is obtained that the t-count of market digitization is 20.317 > 1.66055 with a P value (significant value) of 0.001 < 0.05, which means that market digitization has a positive and significant effect on MSME income in the city of Medan. . This shows that support for market digitization which is currently being carried out by the government and due to changes in the technological era has increased the income of SMEs in the city of Medan. This is in accordance with the research of Ramlah Puji

Astuti (2020) that market demand can be met by SMEs properly by utilizing technological developments. Technological changes do not make SMEs in Medan unable to compete, but they are able to increase revenue by changing the market from the conventional market to the digital market.

AUTHORS' CONTRIBUTIONS

This research can be a reference for academics to continue to assist SMEs in the market digitization process. And providing information on market digitization can increase SMEs in Medan.

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