



# The Effectiveness of Digitalization of SMEs' Sustainability During the Covid-19 Pandemic

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**Abstract.** This article aims to give a new insight regarding the contribution of digitalization of SMEs' sustainability during Covid-19 pandemic. As we noted, so many business entity suffered in this situation where the economic entity should agreed to tight regulation related to maintain health of the community. Health regulation gives the instruction to community to stay at home, reduced mobility and wearing mask during outdoor activity. Fortunately, era 4.0 and society 5.0 marked with digitalization in various aspects in society daily activities. The digitalization give an opportunity to business entity to sustain by doing online business. The study revealed the digitalization maintain SMEs sustainability during covid 19 pandemic eventhough so many stores, offices and mall were closed. The effectiveness of various tools of digitalization worked only for SMEs' with literate enough on online system, due to they could run their business smooth by using online tools such as platform online and many others social media.

**Keywords:** social media · business · Sustainability · SMEs'

## 1 Background

The significant impact of Covid-19 pandemic on economic activities of society in the world as well as Indonesian community make every state to allocate the budgeting to health services and its derivative services [1]. In order to recovery health condition of the citizens there are so many regulations should followed by community such as, massive rapid test, physical distancing, restriction of mobility, lockdown, hand sanitizer and many others Unfortunately, this conditions have negative impact to all business entity, especially SMEs. Purchasing power of people decrease significantly [2], consequently it will decrease demand to buy product and services if doing business in traditional way, due to so many restriction community to comply [3].

Government has high expectation on SMEs role to maximize the contribution to elevate growth of economics of NKRI. SMEs received grants for cash flow so it can sustain in the Covid-19 Pandemic. National Economic Recovery (PEN) allocates fund in entity, which is acts as an executor to the program of governmentof restructuring/financing and

or providing additional fund to support SMEs liquidation. Pandemic condition suffered community in demand of products and services, on the other side give an opportunity some business entity such as SMEs (Kemenkeu, 2021). SMEs have a opportunity in doing business related to provide various products in pandemic conditions such as health sector and its derivative services, for instance provided vitamin to strengthen immunity, herbal products, hand sanitizer, APD for hospital, face mask and many others. Besides, manufacturing industry also have a business opportunity on medical supply and services.

Complementary to health sector, technology/ICT have a high demand in pandemic situations due to lockdown, community work from home, study from home as well as e commerce. The agricultural sector also increasing in demand regarding provided plant for hebal products such as ginger, cinnamon etc. Next, business opportunity related to the arise of bounding community to help each other in the difficult situation. SMEs should catch up in providing food, medicine or herbal in the on line transaction. Digitalization will help SMEs to continue the transaction even though restrictions in many areas such as lockdowns and restriction activity occurs by using various social media online [4].

According to Briggs (2002), there was a massive acceleration among the community regarding information interaction by using high technology digitalization. Previous study revealed the world of communication has been change significantly in the way of life of society and this changes unavoidable affected in the business transaction (Chaffey, 2012). This rapid massive changes called era digital 4.0 and society 5.0. The drastically changing in the information technology also impacted in SMEs business. Tapscott (1996), stated in the beginning of technology information history, digitalizations development affected business process from steel and street based industrial society into silicon, computer and net working world society based. Continuing Digitalization study, Straubhal., et al. (2002) wrote community with high technology information called as informative society, because it is very easy for them to communicate, contacted by using various kind of media of information technology in the intencity relatively very high. SMEs as a business entity in keeping going concern should follow the changing in the information technolgy in order to fullfill consumer demandings [5].

There were various study related to digitalization and SMEs business in Indonesia. Research findings on the sample of SMEs in Indonesia technology of digitalization in the condition of pre covid 19 pandemic has high contribution of the sustainability of SMEs [6]. Digitalization helped SMEs in the way of less expensive of marketing by using social media. Borderless marketing area and no restriction of distance, geographical matters stated that there have been very significant changes in life environment and it is undeniable that SMEs have also experienced the influence of atmosphere digitalization technology [7].

The main goal to achieved of this empirical study is to know how to utilized proper tools of digitalization in the SMEs in order to maximized the revenue from customer. SMEs sustainability or going concern expected to play a main role to the economic growth. Chan (2019) revealed in digitalization so many applications to make interaction between community easily such as IOT, artificial intelligent, robotic etc. Those all application affected business as well as SMEs, so unavoidable to literate in digitalization. This study try to develop model of effectiveness digitalization for SMEs, find out the requirement for condition of digitalization and SMEs in order to applied key success

factors or conditions for digitalization assists SMEs doing business. SMEs sustainability or going concern expected to play a main role to the economic growth. Chan (2019) revealed in digitalization so many applications to make interaction between community easily such as IOT, artificial intelligent, robotic etc. Those all application affected business as well as SMEs, so unavoidable to literate in digitalization. Eventhough before covid-19 pandemic, the information technology used very intensively (Briggs, 2002) and Tappscot 1996, and Straubar (2002), in the pandemic era this is a must to SMEs know digitalization clearly. So condition under Covid-19 pandemic will not influence the sales. SMEs promote product and services in the social media, and the potential consumer will know in detail products and services they needed in very detail information. SMEs used electronic marketing to get loyal customer and hopefully will keep business sustain in the [8].

### **Research Objectives**

- To identify factors affects effectiveness of digitalizations on SMEs' sustainability during covid-19 pandemic
- To identify dominant factors affects effectivity of digitalizations on SMEs better performance in the period pre and during covid-19 pandemic

To develop model of effective Digitalization on SMEs better performance during covid-19 pandemic.

### **Research Novelty**

This study try to develop an effective Digitalization model to make SMEs sustain during covid-19 pandemic by findings the conditions, the factors and other requirements needed. As a empirical research, this study expected to finds a comprehensive model of implementation of effective digitalization in contributing to better performance of SMEs and finally will increase economic growth of Indonesia. SMEs suffered by situation created by covid-19 pandemic. Digitalizations solves so many obstacles arise due to lockdown, and many other conditions during the Covid-19 pandemic which make conventional market can not held normally as business usual. This research identity how digitalization can work effective during covid 19 pandemic in the SMEs due to SMEs is not similar with other business. SMEs as small medium sized enterprises in Indonesia play a major role in Indonesia society. Indonesia population in 2020 almost 250 millions rise income from informal sector especially in the form of SMEs. This is the main reason Government policy give some relaxation to SMEs to keep them sustain during covid-19 pandemic. Eventhough, it is still needs to identify some requirements should meet in order SMEs can utilized digital tools effectively.

## 2 Methods

This study used sequential mixed method research where as explanatory research to test hypothesis research and continuing explanatory research to confirmed results findings of the explanatory research. Then, indepth exploratory on explanatory research findings to develop effectiveness digitalization model for SMEs' sustainability during covid-19 pandemic. This explanatory research distributed questionnaires to respondents in areas as representatives of SMEs affected during covid-19 pandemic in Indonesia. The area chosen is SMEs actor in the Cimareme village, west Bandung, West Java Province, meanwhile exploratory research to confirmed research findings through in depth interview, focused group discussions and conference/meeting. The hypothesis testing used structural equation modelling (SEM). Calculation amount of responden using Slovin formula to count minimal amount of sample of the unknown total of population in certain, that is:  $n = N/(1 + (N \times e^2))$  equivalent to 45 respondents).

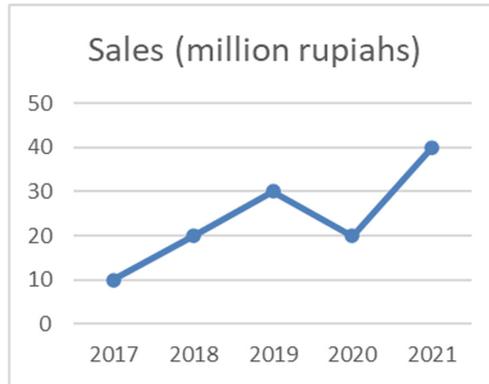
## 3 Results and Discussions

Locations of SMEs in the Cimareme Village, West Bandung, West Java Province, in the middle of DKI and Bandung city. The strategic location would give a great potential competitive advantages for SMEs in the Cimareme Village comparing to others SMEs surrounding DKI and Bandung City. Additionally Actor of SMEs Cimareme Village have a moderate level of literation of Digitalizations and also have a moderate level on the creativity of products and services. The Products majority of food and Beverages (Cullinar) and the rest arts, bag and many more.

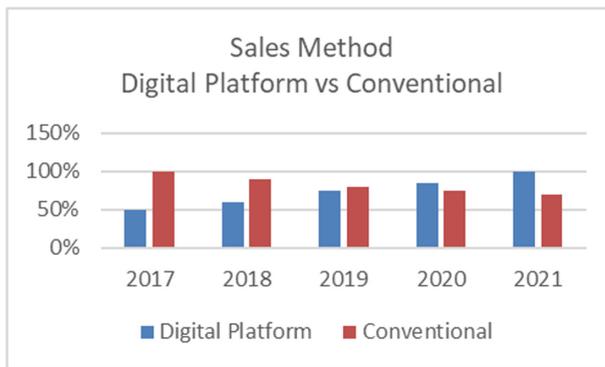
Based on data provided by office of Cimareme Village, SMEs sales from 2017 to 2021 fluctuative in amount (Fig. 1), increase smoothly before beginning of pandemi and decrease slightly on earlier period of pandemi and fortunately has been started increased at the end of first year pandemi. We gained some information regarding the increasing sales in 2021 to key informans, consists of SMEs Cimareme, Head Cimareme Village Secretary of Cimareme Village, BUMDES committee. Due to very difficult situations during pandemic on conventional sales method, SMEs Cimareme Village utilize social media to promote their products and services to community. Target market focused on community around the West Bandung Districts in order to make easier for SMEs to ships the products to the customers. As per indepth interview to SMEs Actors, they stated total sakes tends to increase by using social media, platform ecommerce and web to market the products.

According to SMEs actor, in the beginning of pandemic they were very confused how to run their business in the condition of full limitation and restriction of community to do their activity. Finally they can run their business at home and dont have to market their product outdoor by using transaction onlines such as digitalization tools user friendly.

Since we found sales inrease eventhough restrictions or limitation in doing activities offline,we try to explore what kind of digitalization SMEs used to assist the sales. In the Fig. 2 is the results of Sales method the SMEs used to provide their business. For period from 2017 to 202, Digital platform we called ecommerce play significant role in the SMEs business. SMEs sustainability still exist in the form of digital platform.

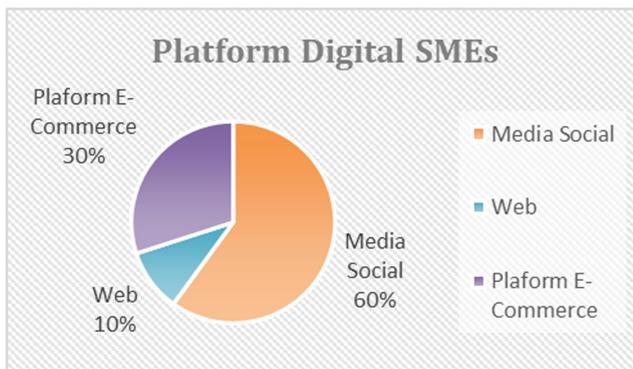


**Fig. 1.** Sales SMEs Cimareme Village in the period from 2017 to 2021



**Fig. 2.** Sales Method: Digital Platform vs Conventional

Next, we looking forward on the specific platform digital SMEs used. In the Fig. 3 describes that social media is the first rank and next Platform ecommerce and the last is the web ofproducts of SMEs Cimareme Village. As we find, social media is the most favorite tools during pandemic since it helps community to interact each other. Social media in this term such as whats app, twitter, line, intagram, telegram and many more. One reason SMEs prefer use of social media due to the most user friendly tools of digitalization. And the web of product SMEs Cimareme Village is the last tools, because ofless socialization for SMEs Cimareme Village. Besides, the product content less informative and less updating content of web. Based on indepth interview, Most SMEs concuded that web product SMEs Cimareme Village will have great influence in the future.



**Fig. 3.** Platform Digital SMEs

## 4 Conclusions

Based on the study of SMEs in the Cimareme Village, there are some conclusions gained in order to achieved Digitalizations effectiveness of sustainability of SMEs during pandemi Covid-19. First, The motivation of SMEs actor to increase capacity or lieration on digitalizations it means they should have self motivated to learn so many tools of on line transactions or ecommerce. Second, of conditions, requirements to achieved effectiveness of Digitalizations to supports and in total respondents 45, consists of various business cullinary and arts. Digitalization influence tke inreasing sales of SMEs Cimareme Village during the pandemic period. The Platform digital prefer than conventional method due to community still interact each other without going outside. So SMEs sustain to provide products to customers. And the requirement of specific tools of platform digital for SMEs is user friendly tools of digital.

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