



The Influence of Innovation and Creativity on SMEs Business Development

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Abstract. This study aims to obtain an overview and influence of innovation and creativity on digital-based business development. This research uses descriptive and verification methods with a quantitative approach. The variables that become endogenous are digital-based business development (Y), then innovation (X1), and Creativity (X2) become exogenous variables. The population used in this study is Sipping UMKM in Purwakarta. This sampling uses the saturated sample method, where the entire population is used as a sample, amounting to 100 respondents. The verification data analysis technique used is path analysis using the IBM SPSS Statistics 25.0 for Windows program. The findings of this study indicate that the description of innovation and creativity in digital-based business development is in a fairly good category.

Keywords: Innovation · Creativity · Digital-Based Business Development · MSMEs

1 Introduction

Entrepreneurship is a major factor that can influence economic movement by introducing an innovation, providing jobs, increasing competition and people's welfare. Then, in entrepreneurship it is necessary to have a business or business development activity. According to [1]. Business development is considered as long-term value creation for consumers and related markets, and a process for analyzing opportunities, where this needs to be done to expand and maintain its business properly, things that need to be considered in developing business in the long term one of them is creativity and innovation in himself as an entrepreneur, including in the Micro, Small and Medium Enterprises sector [2].

MSME is one of the sectors of economic actors that has a significant role and contribution to economic growth in a country including Indonesia, starting from the formation of a GDP of around 63.58%, then the ability to absorb a workforce of 99.45% or a very large number the business units involved are around 99.84% of all existing business units, so that the share is quite significant in total export value, which reaches 18.72%, and MSMEs can also collect investment up to 60.4% of total investment, and according to data from the Office of Cooperatives and Cooperatives, the largest contribution of foreign investment was in the food and beverage sector at 14.1%. Of course, this will

also indirectly reduce the number of unemployed people in Indonesia. Then, in the trade, transportation, and small industry (small business) sectors,

At the beginning of 2020, in Indonesia and even the world was shocked by the emergence of an outbreak of the corona virus or covid-19. This pandemic is occurring globally, where covid-19 has greatly affected almost all sectors of life, including the economic sector which has become the foundation of society. The Covid-19 pandemic has caused a slowdown in the economic sector in Indonesia with its various derivatives, especially in the MSME sector. The MSME sector, which is the most important part of the economic sector, has really felt the impact of the Covid-19 pandemic and has caused a significant setback in MSMEs. The problems that occur in these MSMEs such as decreased sales, capital, hampered distribution, difficulty with raw materials, decreased production and the occurrence of many layoffs.

So this has the impact of decreasing people’s purchasing power directly, but indirectly this has also had an impact on increasing the amount of internet use for Indonesian people because they do a lot of activities at home, through long distances, and others who need internet access are included in the consumer pattern. When consuming or buying something. The following is data on internet users in Indonesia (Fig. 1):

From these data it can be seen that the number of internet users in Indonesia has reached 205 million in January 2022. This means that 73.7% of Indonesia’s population has used the internet. This value is 1% higher than the same period in the previous year. In January 2021, there were 203 million internet users in Indonesia. If you look at the data, the number of internet users in Indonesia continues to grow every year (We are social, 2022).

In addition, GlobalWebIndex conducted a survey of activities that were more frequently carried out by people during the Covid-19 pandemic in twenty countries. And as many as 46% more often do online shopping. This is of course a special concern for business actors, especially MSMEs in Indonesia because of changes in people’s behavior patterns during the pandemic. Thus, the pattern of purchases by consumers has also changed, from offline to online, apart from starting from the Covid-19 pandemic, this activity is also considered more practical and can make it easier for consumers to buy something, so that they eventually become accustomed to meeting their needs online. Can be seen in Fig. 2 community activity data during the pandemic:



Fig. 1. Data on The Number of Internet Users in Indonesia (January 2012 - January 2022)

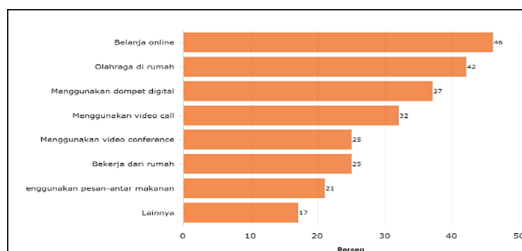


Fig. 2. Activities Performed During The Pandemic

In this case it can also be seen that there is a change in consumer behavior patterns in buying or consuming something they need. Apart from starting from the conditions of the Covid-19 pandemic, now the world has begun to enter the era of revolution 4.0, where almost all areas of life have taken advantage of digitalization, including in the economic field. In the economic field, the term digital economy appears, which is an economic activity whose activities are based on or utilize internet technology. As many as 60% of Indonesia's population (130 million) are connected to the internet. This can be an opportunity for MSMEs if these MSMEs can carry out digital literacy properly and are able to adapt to these conditions.

Digital transformation or digital transformation is a method change in a work activity by utilizing information technology so that these activities can be more effective and efficient. Digital transformation occurs because of changes driven by technological developments in organizations and the environment. The changes that occur are related to adjustments business processes, including changes between companies and employees as well as companies and customers, as well as changes that occur in current market conditions. The main feature of this digital transformation is the change in marketing channels from offline to online. For MSMEs, digital transformation is not only limited to surviving during the pandemic, but how these MSMEs through this digital transformation can develop their business and maintain their existence [3].

Digital development in the 4.0 era can have a positive impact if business actors, especially MSMEs, can manage and adapt well so that they are able to compete not only with local entrepreneurs, but also with foreign entrepreneurs. So that several MSME sectors that have not adapted digitally were ultimately very affected and went out of business. By carrying out digital transformation, one of which is in the MSME marketing channel utilizing social media and e-commerce can provide several benefits such as: (a) the market reach becomes wider, because it does not only reach markets in various countries because it is based on a global online system; then (b) reducing infrastructure, for example, for example, companies do not need to open various branches in various regions, because with just one online store, they can reach almost all parts of a country; (c) reducing the expenditure budget, because with e-commerce, the system can be narrowed but still optimal, such as there is no need to open a real store, recruit too many employees, and so on; [4].

Digital transformation can also help MSMEs in their business processes, such as using the internet and information technology can help find broader information about business development and raw materials. Then, the financial recording process can be

more organized and more effective and efficient, one of which is by utilizing excel, and several financial record applications [5]. This is in line with several previous studies regarding the need for digital transformation for MSMEs such as [6] which revealed that MSMEs really need a digital role to increase performance and productivity. Then according to [7] said that digital transformation and business innovation change customer expectations and behavior, suppress traditional enterprises and market disruption. Therefore, this forces companies and general administration to excel in digital transformation, so that many business sectors carry out digital changes and transformations, namely processes carried out by organizations or companies.

However, based on data from Deloitte Access Economics, 2015 in Indonesia alone as many as 36% of MSMEs in Indonesia are still not connected to digital technology including the internet (offline). Meanwhile, 37% of MSMEs already run their business online but at a very basic level, 18% of MSMEs have intermediate online capabilities, and 9% of MSMEs have advanced online capabilities [8]. The basic online proficiency level in question is based on broadband access and digital tools such as computers and smartphones, and having a website, however, the business is not involved in social media (except email) and does not have e-commerce capabilities for ordering or payment. Medium online capabilities are businesses that have digital connectivity and are also actively engaged in social media by integrating their sites with social media, live chat or consumer reviews. This business does not yet have full e-commerce capabilities. Meanwhile, advanced online capabilities mean having connectivity, integration of social networks and e-commerce capabilities. This figure certainly needs to be increased so that MSMEs can survive and develop their businesses [8].

Likewise with the perpetratorsUMKM Simpang in Purwakarta are also still trying to develop their business on a digital basis so that they can survive the increasing competition in this 4.0 revolution era. Because if these MSMEs do not carry out a digital-based business development, then they will be left behind, and even replaced by competitors. And Fig. 3 shows that of the 30 respondents who were sampled from the pre-research, the level of digital-based business development was still relatively low. The following is an overview of these results :

Based on Fig. 3, it can be seen that of the 30 Simpang MSMEs in Purwakarta which were sampled, 60% had not yet developed a digital-based business, and 40% had carried out a digital-based business development. Then, in Figure.

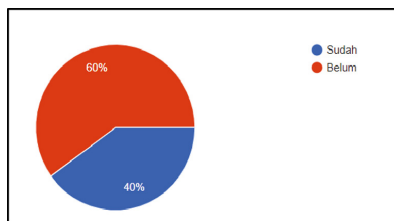


Fig. 3. Results

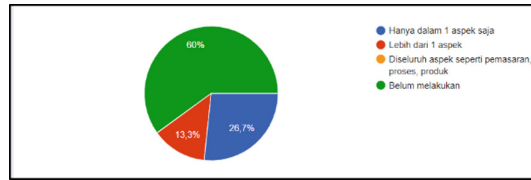


Fig. 4. Pre-Research Results of Simping Smes That Have Conducted Innovation And Creativity In Develop Digital-Based Business

Based on Fig. 4 of the 30 Simping MSMEs which were used as the pre-research sample, it shows that 36.7% have carried out digital-based business development in the marketing sector, 16.7% in the product sector, and 3.3% in distribution.

Human resources have an element of strength that is reliable to move and advance human life in a search for development as well as new discoveries in various fields such as knowledge and technology, these elements are creativity and innovation. A creativity that exists in a person needs and is important enough to be developed, because a human being in his life will certainly continue to develop himself for the betterment of his life and a human being will also be required to solve various kinds of problems, of course this requires a creativity within him. Therefore, an entrepreneur really needs to have creativity and carry out an innovation in order to be able to develop his business [9]. Especially in today's digital era, product innovation needs to be carried out, where product innovation here is a process of using new technology into a product, so that the product has added value. Innovation can be done on goods, services, or ideas that can be accepted as something new. So this has been proven in several previous studies to influence to develop digital-based businesses. As for those who say that creativity and innovation are one unit, innovation arises from the results of creativity, and the main requirement for taking advantage of business opportunities in the current digital era is one of them by having high creativity and innovation in order to be able to maintain and develop their business.

A digital-based business development concept has also been carried out in several sectors including the tourism sector [10], the MSME sector [4].

2 Methods

2.1 Research Design

This research uses a descriptive and verification research using explanatory survey methods. The type of data in this study consisted of general data related to innovation and creativity in to develop digital-based businesses in shellfish SMEs in Purwakarta, as well as data for each of the variables studied, while there were two sources used, namely primary data and secondary data.

2.2 Sample

The total population is 100 people, in this study to determine the number of samples using a saturated sample technique where the entire population is used as a sample.

2.3 Data Collection Technique

Data collection techniques using observation, interviews, and questionnaires. The selected informants were scallop MSME business owners in Purwakarta.

2.4 Data Analysis Technique

Data analysis technique is a way to process, measure, and analyze the data obtained. Data analysis techniques are used to answer problem formulations or test hypotheses that have been formulated.

The research tool used in this research is a questionnaire. This questionnaire was prepared by the authors based on the variables studied, namely regarding the influence of innovation and creativity on digital-based business development at the Simpang UMKM center in Purwakarta. This study uses an interval measurement scale, which is a scale that usually shows a seven-point scale by measuring the meaning of an object or concept for the respondent. Then data analysis can be done after the questionnaires of all respondents have been collected. According to if the questionnaire or questionnaire data has been collected, then the next step is to carry out data analysis with the following stages:

- 1 Compiling data, activities carried out to check the completeness of the respondent's identity, completeness of the data, and filling in the data according to the objectives of the research.
- 2 Selecting data, this activity is carried out to check the perfection and correctness of the data collected
- 3 Data tabulas, in this study were carried out through several stages, namely: (a) Assign a score to each item; (b) Add up the score on each item; (c) Arrange a score ranking on each research variable.
- 4 Analyzing data, namely processing data using statistical formulas, interpreting data in order to obtain a conclusion.
- 5 Testing, in testing the hypothesis, the method of analysis used in this quantitative research is the method of verification analysis, therefore the technique used is path analysis.

3 Results and Discussion

1. Respondents' Responses Regarding Innovation (X1) at the Simpang UMKM Center in Purwakarta. The overall or simultaneous research results show that innovation (X1) influences to develop digital-based businesses.
- 2 There is a partial relationship between innovation (X1) and creativity (X2) towards digital-based business development. The results of the research simultaneously provide significant results, so to find out each variable has an influence or not on develop digital-based businesses.
- 3 The relationship between innovation (X1) and develop digital-based businesses (Y). This test aims to find out the hypothesis that the significant influence of innovation on to develop digital-based businesses is partially tested. From the findings in the table above, it shows that innovation has a significant effect on digital-based business development.

- 4 The relationship between creativity (X2) and to develop digital-based businesses (Y). This test aims to find out the hypothesis that the significant influence of creativity on digital-based business development is partially tested. From the findings in the table above, it shows that creativity has a significant effect on digital-based business development.
- 5 Direct and Indirect Influence. The results of the direct influence test of innovation (X1) and creativity (X2) on digital-based business development (Y) the most dominant is the variable creativity (X2).
- 6 Correlation Coefficient. Testing the correlation coefficient and path coefficient aims to find out about the existence of the coefficient and correlation of innovation (X1) and creativity (X2) variables on digital-based business development (Y). The results of the study show that the correlation of each variable, namely the innovation variable (X1), creativity (X2), and digital-based business development (Y) obtained results including innovation (X1) on digital-based business development (Y) of 0.341; creativity (X2) to digital-based business development (Y) of 0.810.

3.1 Strategic Measures Analysis

1. Seeing that creativity in the scallops MSME center in Purwakarta is still in the not good category, it is suggested to pay more attention and increase their creativity in various ways, including through the dimensions in this study, namely person, process, product, and press, especially more pay attention to the dimension that has the lowest percentage, namely the dimension of press or encouragement from within and from the environment. Simpung MSME actors in Purwakarta can further increase their motivation and confidence in running a business, then seek and choose an environment that can support business activities. Because having high motivation and a supportive environment is expected to make the business being run grow.
- 2 Innovation in the scallops MSME center in Purwakarta is still in the not good category, so it is advisable to pay more attention and increase innovation in various ways, including through the dimensions in this study, namely product innovation, process innovation, and market innovation, especially paying more attention the dimension that has the lowest percentage is the market innovation dimension, which relates to new market share, therefore simpung MSME actors in Purwakarta can further expand the target market they want to achieve, by creating product innovations that adapt to new target markets. Want to achieve. With this, it is hoped that the businesses run by simpung MSME actors can continue to grow, especially on a digital basis.
- 3 Increasing digital-based business development for simpung MSME actors in Purwakarta can be carried out by paying more attention to the aspect of production capacity where it is recommended to be able to utilize all available resources and use technology in the production process in order to increase production capacity, so that it can increase sales volume and of course can develop the business.
- 4 Creativity affects the development of digital-based businesses, so the authors recommend that MSME actors in Purwakarta continue to increase creativity in running a business, including that an entrepreneur is expected to be able to think creatively, have high curiosity by utilizing information technology to get information about the business, have high optimism, and be able to adapt to the existing situation. Then,

in the business process creativity is also needed both in the production process, the process of creating innovations in products or others, then through a creative process it is hoped that creative product ideas can be created both in terms of shape, taste, and so on, and Furthermore, an entrepreneur has high motivation in running a business, and seeks an environment that can support these business activities. This is because creativity can provide benefits for the MSME actors themselves and will have an impact on the development of digital-based businesses.

5 Innovation has an effect on the development of digital-based businesses, so the author recommends that simping MSME players in Purwakarta continue to increase innovation in running a business including innovation in products both in terms of attractive packaging and digital technology-based to be able to increase selling prices, then in flavors, and so on. Then innovation can be carried out in process innovations such as in business processes utilizing digital technology both from tools used for production, in the financial recording process using automatic recording or MS.Excell, and so on. Then, innovation in the market such as expanding the target or market share by creating new products according to the target market to be achieved. That way, these things can provide benefits for simping MSME actors in Purwakarta, especially in developing digital-based businesses (Fig. 5).

3.2 Policy Model

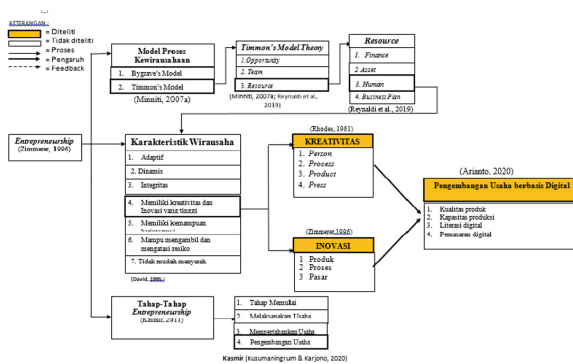


Fig. 5. Policy Model of Influence of Innovation and Creativity on Digital-Based Business Development

4 Conclusions

The description of innovation (X1) can be seen from its dimensions which consist of product innovation, process innovation and market innovation. This shows that innovation in scallop SMEs in Purwakarta has things that need to be improved and paid attention to. The product innovation dimension has the highest perceived rating while market innovation has the lowest overall rating.

The description of creativity (X2) can be seen from its dimensions which consist of person, process, product and press. This shows that the creativity of scallop SMEs in Purwakarta has things that need to be improved and paid attention to. Especially for the press dimension which has the lowest overall rating.

An overview of digital-based business development (Y) can be seen from its dimensions which consist of product quality, product capacity, and digital marketing. This shows that digital-based business development for simping SMEs in Purwakarta have things that need to be improved and paid attention to. The digital marketing dimension has the highest perceived rating while product capacity has the lowest overall rating.

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