



Increasing MSMEs Competitiveness In Facing Society 5.0 Era

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Abstract. Business and technology are interdependent. Indonesia has recently stepped into the "Society 5.0" age. Technology now permeates every facet of existence. Because of this, societies need to be prepared to use breakthroughs from the Revolution 4.0 period to address a variety of issues. The Society 5.0 period aims to address people's needs by producing jobs in addition to bridging the technological and human divides. Indonesian MSMEs are currently working to recover from the COVID-19 pandemic-related slowdown. The globe is waiting impatiently for Indonesian goods, so this could be a business opportunity. There is a sizable market for both food security and digitization technology. The top market position in the ASEAN area is held by Indonesia. In the age of Society 5.0, the MSMEs sector is one that is crucial. However, only a small percentage of MSMEs (about 16% of all MSMEs in Indonesia) have embraced digitization. To make MSMEs more competitive in the Society 5.0 era, numerous initiatives are required. The qualitative method (document/text study) was employed in this investigation. According to the study's findings, MSMEs can become more competitive by (i) developing their digital skills, (ii) learning by doing, (iii), increasing their human resources, (iv) incorporating teamwork, (v) adopting an educational curriculum that emphasizes human-digital skills, and (vi) utilizing the government's regulatory role.

Keywords: Competitiveness, Digital MSMEs, Society 5.0 Era.

1 Introduction

The enterprise world faces challenges from the Industrial Revolution 4.0, including (i) a lack of qualified HR skills, (ii) security concerns with communication technology, (iii) the dependability and stability of production equipment, (iv) stakeholder resistance to change, and (v) significant job losses as a result of automation. The Industrial Revolution 4.0 is being met by Society 5.0. Humans are a component of all technology. Since high-tech machines will be used in Industry 4.0, many people believe that fewer

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positions will need to be filled by people. To create the most cutting-edge technologies, Society 5.0 depends on creating new ideals. As a result, it may make future economic problems more accessible to society. The Indonesian society needs data and technology literacy abilities in order to take advantage of opportunities and respond to society 5.0's defiance of the Industrial Revolution 4.0 [1].

Micro, small, and medium enterprises (MSMEs) in particular and the business world in general are intertwined. In particular, Indonesia has entered the "Society 5.0" era. Technology is a part of every aspect of existence. Therefore, society must learn how to handle all forms of disobedience and problems that appear in the Revolution 4.0 period. In addition to bridging the gap between cultures and technology, the "society 5.0" period also had to get over people's barriers to creating work. MSMEs in Indonesia are currently working to recover from the COVID-19 pandemic's detrimental consequences. The state of the planet is progressively getting better. As a result, it may be a good economic opportunity given how enthusiastically buyers around the world seek out Indonesian goods. There is a huge market for digital technology and food security in Indonesia. The development of the Indonesian market is ranked top in ASEAN [2].

The rapid advancement of technology is a result of the COVID-19 pandemic. Relationships and a wide range of online activities have been made simpler. The socialization of digital technologies has sped up the digital transformation. The vast majority of internet users are exposed to a variety of threats, including cyberbullying, scams, digital intimidation, and other harmful content. On the other hand, there are also chances for micro, small, and medium enterprises to gain from the digital revolution at the business level (MSMEs). MSMEs are operating businesses owned by both natural persons and legal entities. The Republic of Indonesia's Law No. 20 of 2008 establishes the existence and definition of MSMEs. Small, micro, and medium enterprises are the main drivers of national economic growth. By promoting MSMEs' digitalization and providing various incentives to digital MSMEs, the government maximizes the potential and productivity of MSMEs. MSMEs are making an attempt to digitize MSME marketing. MSMEs can now be more easily digitalized thanks to the age of ever-improving technology [3].

2 Materials And Methods

2.1 Competitive Advantage

One of Indonesia's initiatives for economic and industrial development is the growth of the MSME creative sector. The ability to compete with other MSMEs is a competitive advantage for SMEs. When compared to other competing products, MSME items that are highly competitive will have reduced product sales expenses. As a result, in order to succeed in the commercial rivalry, MSMEs must take competitive advantage into account. Several elements of competitive advantage, including (i) cutting-edge technology, (ii) labor ethic, innovation, human resources, and motivation, (iii) production process productivity and efficiency, (iv) prime product quantity, (v)

thorough promotion, (vi) advanced supervision structure and organizational connection, (vii) proper after-sales care, can influence MSMEs to be business winners; and (viii) economic level in the production process.

The capacities of MSMEs define the viability of a competitive advantage plan. It was related to competition, environmental change, and MSME business maturation. MSMEs that meet the requirements for a highly competitive market will be able to choose a more effective approach. The correct system in MSMEs will be able to provide a highly competitive company environment. The following are a few essentials for establishing the zone: (i) concentration of business strength; (ii) avoiding businesses that are less appealing to competitors; (iii) use of appropriate technology; (iv) market expansion to augment customers; (v) protection of MSME products by patents or agreements between users; (vi) concentration in businesses that have specific and stable relationships with raw material resources, distributors, and customers; and (vii) MSME capabilities are superior to those of rivals [4,5].

2.2 Micro, Small, and Medium Enterprises

Micro, small, and medium enterprises (MSMEs) play a crucial and vital role in the structure of the national economy. Small businesses (those with 5–19 employees) and medium-sized businesses (those with 20–99 employees) are among the categories that the Central Statistics Institution used to categorize SMEs (20–99 employees). According to the perspective of business development, there are four different types of MSMEs: (i) MSMEs in the informal sector, such as street vendors; (ii) Micro MSMEs, such as MSMEs with the capacity to be artisans but lacking the entrepreneurial spirit to build their companies; (iii) Dynamic Small MSMEs, such as MSMEs with the capacity to be entrepreneurs by approving collaboration for exports and sub-contracts; and (iv) Fast-Moving Enterprises, or SMEs that have the skills to be entrepreneurial specialists and have the potential to grow into huge businesses [6].

2.3 Society 5.0 Definition

Japan first put forth the definitions and components of society 5.0 in 2019. The Industrial Revolution 4.0 has been extended into this time period. Industrial Revolution 4.0 makes use of artificial intelligence, while Society 5.0 is concerned with both technology and social systems. A group of individuals who are capable of resolving numerous societal difficulties through the application of various innovation concepts is described as "society 5.0." This concept covers more than just fundamental reading; it also covers abilities in communication, teamwork, creativity, critical thinking, and problem-solving. Curiosity, initiative, persistence, flexibility, a leadership spirit, social concern, and culture make up the ideal characteristics of a civilization [7].

2.4 Research Methodology

A qualitative research method (document/text study) was employed in this study. Increasing MSME competitiveness, the competitive advantage of MSMEs, digital

economy challenges in Indonesia, the acceleration of MSMEs turning to digital, and how do MSMEs face the era of the Industrial Revolution 4.0 and Society 5.0 are some of the research materials.

3 Results And Discussion

3.1 Digital Economy Challenges in Indonesia

Diverse nations have been inspired by Industrial Revolution 4.0 to innovate in the digital economy. Investing in Indonesia's digital economy presents the government with five challenges: (i) cyber security; (ii) greater market competitiveness; (iii) human resource development; (iv) widespread availability of internet connection; and (v) outdated rules.

1. Cyber Security. Every year, there are more and more online transactions in Indonesia. It provides reckless individuals the chance to assault the online community. To ensure that investments and transactions in the digital economy are made safely, the government must set up an internet security system.
2. Increasingly fierce market competition. The existence of e-commerce has opened the door for easily imported goods into Indonesia. MSMEs needed to improve their business performance as a result. By-products from other nations, which are frequently offered at low prices, will diminish MSME products if they can't compete.
3. Development of human resources. Google found that Southeast Asia has little professional resources for accelerating digital economic growth. In order to prepare for the contemporary digital economy, efforts must be taken to educate society and prepare the educational system.
4. Throughout the region, internet connectivity is readily available. Internet accessibility affects Indonesian investments in the digital economy. Today, only the larger islands have widespread access to the internet (Java, Sumatra, Bali, and Nusa Tenggara), while Kalimantan, Sulawesi, and Papua are still regarded as having low levels. To promote economic growth, the Internet development program is required.
5. The laws do not reflect modern society. Laws and rules governing the operation of the national digital economy must be created by the government and other relevant entities. The goal of this is to protect the rights of users and other participants in the digital economy so that they can operate more effectively in the future [8].

3.2 Acceleration of MSMEs Turning to Digital

The goal of digitizing MSMEs is to alter how business is conducted. technology-based product marketing and sales It is recommended that each MSME have at least one WhatsApp contact, one regular social media account, one Google business account or map, and one regular online store. Future online retail and digital technology juggernaut potential for Indonesia is still quite strong. The following are the key justifications:

1. The millennial generation makes up the majority of the population in Indonesia, and Gen Z is a technologically advanced and social media-active generation. In 2018, Indonesia has 100 million smartphone users. This is the future potential for the market for digital SME products.
2. More people are shopping online now than before the COVID-19 outbreak. Indonesians now live increasingly digital lifestyles as a result of this time. Future generations are anticipated to continue living a digital lifestyle.
3. Global technological advancements and changes, particularly in wealthy nations. Due to these elements, MSMEs must become digital MSMEs.

In the age of Society 5.0, the MSME sector is one that is essential. However, only a small percentage of SMEs—roughly 16% of all SMEs in Indonesia—have shifted to digitization. The community's level of technological readiness is still quite low, and not every location has access to the internet. Due to this, initiatives are required to I introduce modern SMEs, (ii) foster interaction between the government, MSME entrepreneurs, and the general public as consumers, and (iii) offer outreach and training to MSME actors who are still unfamiliar with MSME digitalization. Digital MSMEs (e-commerce) generated 32 billion dollars' worth of digital transactions in 2020. By 2025, its contribution is projected to reach 83 billion USD. For MSMEs, digital payments are essential in the Society 5.0 era. Because it is quicker and simpler to use, a digital payment system is a type of financial system that can help with payments in the modern era. For MSME actors, online services including social media, websites, Grab, *Gojek*, *Tokopedia*, Zoom, and Google Meet are highly helpful. Drone use between cities makes SME business activities easier, particularly in the regions [3].

3.3 Increasing MSME Competitiveness

Globally, the effects of the digital age are apparent. The digitization revolution will cause the loss of 1-1.5 billion employment between 2015 and 2025. It is a result of the replacement of human jobs with automated machines. The opportunities in the digital age are expanding as well as the problems, which are getting harder. The MSME sector's rising demand for creative goods, the emergence of digital lifestyles, and the demographic dividend in 2035 all have the potential to expand the business sector. For MSMEs, using digitization can have a number of benefits as follows: (i) creating efficiencies for organizing MSMEs businesses, such as warehousing, production costs, transportation, and social media (Facebook, Instagram, and Twitter) promotions; and (ii) expanding marketing networks to different regions or other countries.

Many parties must get involved if MSMEs are to become more competitive. The ABCGM (Pentahelix) model refers to these stakeholders, including academics, businesspeople, communities, governments, and the media. The following are a few tactics to help MSMEs be more competitive as they deal with the Industrial Revolution 4.0 and Society 5.0:

1. The duty to enhance spending on digital skills. Human resources, digital infrastructure, a mindset, a vision, and policies are all included.

2. Use the newest technological prototypes and gain knowledge through practice. Because of how quickly technology is developing,
3. Increasing human resources by looking into new partnerships for certification and educational methods.
4. Working together to determine future skill availability and demand in the digital age.
5. Create a curriculum for schooling that incorporates information on human-digital competencies.
6. The government's role as a regulator includes the following duties: (i) establishing and enforcing policies pertaining to MSMEs; (ii) acting as a facilitator and accelerator in the support of MSMEs; (iii) offering rewards to MSMEs that perform well; and (iv) facilitating licensing to encourage collaboration [9].

4 Conclusion

In Era Society 5.0, the SME sector plays a significant role. However, only a small percentage of MSMEs—roughly 16% of all MSMEs in Indonesia—have shifted to digitization. As a result, numerous initiatives are required to improve MSMEs' competitiveness in the Era of Society 5.0. Diverse nations have been inspired by Industrial Revolution 4.0 to innovate in the digital economy. The government of Indonesia is up against five obstacles as it makes investments in the digital economy: (i) cyber security; (ii) harsher market competition; (iii) human resource development; (iv) widespread internet access; and (v) outdated rules.

The goal of digitizing MSMEs is to alter how business is conducted. The use of technology in product marketing and sales is very prevalent. Future online retail and digital technology juggernaut potential for Indonesia is still quite strong. The key factors are that (i) the majority of Indonesia's population is from the millennial and Gen Z generations, (ii) a digital lifestyle is starting to emerge in society, and (iii) global technical advancements. Due to these elements, MSMEs must become digital MSMEs.

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