

## **The Influence of Digitalization on the Increase in MSME Turnover in West Java**

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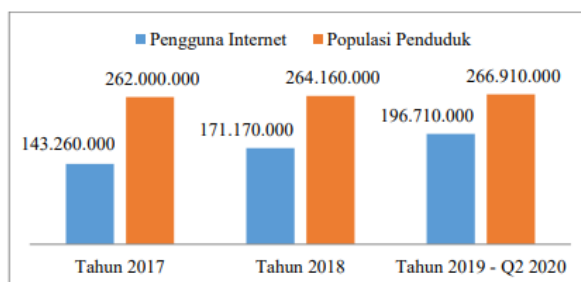
### **ABSTRACT**

This research analyzes the effect of digitalization on increasing turnover in Micro, Small and Medium Enterprises (MSMEs) in West Java. Digitalization, such as the internet, social media and digital payment technology, has provided new opportunities for MSMEs to increase sales. This research used data from 20 journals related to digitalization and MSMEs in West Java. The research results show that adopting digital technology significantly impacts increasing the turnover of MSMEs in West Java. MSMEs that use social media and have an online presence through websites or e-commerce platforms tend to experience higher turnover growth. Apart from that, MSMEs that implement digital payment methods also experience a significant increase in turnover. This research explains the importance of digitalization for MSMEs in West Java in increasing turnover. This research implies the need for government and stakeholder support to facilitate digital access for MSMEs and provide training and assistance in using digital technology.

**Key words:** Digitalization; Small and Medium Enterprises (MSMEs); Turnover

### **INTRODUCTION**

In the ever-evolving digital era, digital technology has fundamentally changed how business is conducted. One of the sectors that was significantly affected was Micro, Small and Medium Enterprises (MSMEs). In Indonesia, MSMEs are essential to economic growth and job creation. In West Java province, MSMEs are also a very vital economic sector. Changes in people's activities that are starting to depend on the internet have caused internet users in Indonesia to increase. It is proven based on data from a survey conducted by (APJII 2020) regarding internet user penetration in Indonesia in 2017-Q2 2020. This data can be seen in Figure 1.



Gambar 1 Penetrasi Pengguna Internet di Indonesia  
Sumber : <https://apjii.or.id/survei>

This increase in Internet use has become an opportunity for entrepreneurs to develop their businesses by utilizing Internet media to sell their products or services of the 5,312 villages in West Java, 80% or 4,250 villages already have internet access. However, behind that, 20% or 1,062 villages still need internet access. However, working and studying from home will only run smoothly with internet access. (Open Data West Java Province).

This research is likely to provide better insight into the influence of digitalization on the performance of MSMEs in West Java, especially in terms of increasing turnover. The results of this research can be used as a basis for developing more effective strategies and policies in facilitating the growth of MSMEs through digital technology in the West Java region.

## LITERATURE REVIEW

### Understanding Digital Marketing

Digital marketing applies digital technology and digital media to create, communicate, deliver and exchange value to customers, business partners and society (Philip Kotler and Kevin Keller). According to (Musnaini et al., 2020), digital marketing or digital marketing is a business method that aims to market a brand or product using supporting media in digital form so that this method can reach consumers personally, relevantly and on target according to consumers' desires and needs. In this research, digital marketing is a method from the marketing field that aims to reach consumers to fulfil their needs and desires through digital media, such as computers, mobile devices, tablets and other digital devices connected to the internet.

### The impact of digitalization on MSMEs in West Java

West Java Governor Ridwan Kamil stated that the growth of Micro, Small and Medium Enterprises (MSMEs) in West Java that implemented digitalization experienced 40% growth during the COVID-19 pandemic. Based on data from the Bandung City Micro, Small and Medium Enterprises Cooperatives (KUMKM) Department, 90% of MSMEs in Bandung City have been affected by the pandemic (Sindo News 2021). Since the COVID-19 pandemic hit, Micro, Small and Medium

Enterprises (MSMEs) and digital sales in Bandung City have experienced a rapid increase. This increase also had a positive impact on the rate of economic growth in the city of Bandung from 2020 to the end of 2021. It was explained by the Head of the Bandung City Trade and Industry Service (Disdagin), Elly Wasliah. He said that the economic growth rate for Bandung is currently moving at 3.5 per cent. (Bandung.go.id)

### **Consumer behaviour**

According to (Yulianti et al., 2019), consumer behaviour is an individual action that involves purchasing and using a product, including the decision-making process that precedes and determines the action as an experience with a product or service from another source. Then, in this research, consumer behaviour is all actions carried out by an individual, group or organization in purchasing, using or consuming a product, evaluating activities on the product, and the experience of the product in fulfilling their needs and desires.

## **METHOD**

### **Design and Sample**

The research used reference sources from 20 journals on Digitalization, MSMEs, and the Economy in West Java. So, the data used combines data obtained from these 20 journals.

### **Instrument and Procedure**

The first stage is searching for data regarding technological developments/digitalization in West Java Province, which will be a unique design to discuss increasing MSME turnover. The second stage synchronizes the data obtained regarding developing MSMEs in West Java. The third stage is adjusting the research results with a field case study that occurred in one of the MSMEs in West Java.

### **Data Analysis**

The data used combines data obtained from 20 journals.

## **RESULT AND DISCUSSION**

This research uses a database from Bank Indonesia in developing MSMEs in West Java, which have the potential to be financed by Bank Indonesia. This data can be seen in Figure 2

Sektor Ekonomi	Jumlah Perusahaan
Industri Perolahan	379
Jasa Keuangan Dan Asuransi	1
Jasa Perawatan /o Melawan ET, dan /o Mempasikan Bro & Jasa Olen ET /o Droukan Sendiri Loks Memenuhi Kebutuhan	1
Jasa Perawatan Dan Sewa Guna Usaha Tanpa Haki Opsi, Ketersediaan, Asen, Perawatan Dan Perumahan Usaha Lainnya	2
Jasa Profesional, Ilmiah Dan Teknik	6
Ekuitas Jasa Lainnya	16
Kesenian, Hiburan Dan Rekreasi	1
Roketruas	17
Penyediaan Akomodasi Dan Penyediaan Makan Minum	19
Perdagangan Besar Dan Eperan Beransi Dan Perawatan Mobil Dan Sepeda Motor	210
Pertambangan Dan Petroliam	2
Pertanian, Kehutanan Dan Perikanan	59
Transportasi Dan Perhubungan	1

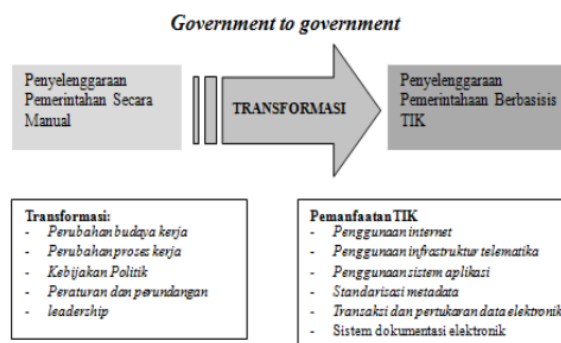
Gambar 2

This data results from Bank Indonesia research, collecting 714 respondents (Survey) who filled in the MSME Company Profiles in West Java. In order to encourage banking intermediation to the real sector and MSMEs, Bank Indonesia encourages MSMEs to be able to move; one of the efforts made by Bank Indonesia is to provide profile data information on MSMEs that do not receive banking financing but need credit/financing in order to develop their business.

With the availability of profile data from several MSMEs as an example, it is hoped that it will provide more benefits for the parties, especially for MSMEs, to speed up access to financing from banks. Through digitalization, MSMEs can use digital banking services, such as online banking, mobile banking, or e-wallet, to carry out financial transactions efficiently and quickly. It includes digital payments to suppliers or customers, payroll processing, inventory management, or cash flow management. By connecting digitally with banks, MSMEs can gain more accessible and faster access to the financial services they need.

### Technological Development in West Java

Network connections are needed to realize the West Java Cyber Province (JCP) program, which integrates all activities in the government environment down to the sub-district level so that they are connected online. One of the goals is to improve good government management by optimizing online media as a medium for information and communication. This area is a priority for the West Java Provincial Government in organizing government in 26 districts and cities, 620 sub-districts, and 5,810 villages/sub-districts, of which there is a need to organize the quality of ICT comprehensively. Utilization of ICT in the economic sector is also essential because this sector has a double effect and can move the economy at all levels of society, namely by providing information and interaction services, such as online reservations (hotels, packages, tours, transportation, etc.), online payment systems, management of regional tourism databases, interaction processes, and other transactions.



Sumber: Kantor Komunikasi dan Informatika Kota Sukabumi.  
Gambar 3

### **The influence of technology on the economic development of society in West Java**

From a macro perspective, West Java's economic growth is starting to develop and improve. Although it is acknowledged that the brunt of the global economic crisis is still being felt, it is hoped that conditions will slowly and measurably move up.

Based on monitoring by the West Java Province Regional Development Planning Agency (Bappeda), several developments in West Java's macro development indicators are shown by several indicators, including Human Development Index (HDI), population, economic growth rate (LPE), percentage of poor people, and percentage of unemployment.

Based on the calculation results of the West Java Province Bappeda, West Java's HDI in 2009 reached 71.64, an increase of 0.52 points compared to 2008, which reached 71.12. West Java's HDI achievements in 2006-2008 showed a significant increase. 2006, the HDI achievement was 70.32, increasing to 70.71 in 2007. This position increased in 2008 to 71.12. "This increase in HDI results from the increase in the components that make up HDI. In 2010 "It is predicted that West Java's HDI will increase by more than 0.5 points, in line with the increase in various educational and health facilities and facilities which are development priorities in West Java,"

### **The influence of digital platforms on increasing MSME turnover in West Java**

With Community Activity Restrictions (PPKM) implementation, conventional economic activity has decreased drastically. People are slowly starting to switch to carrying out digital transactions to minimize physical contact. The West Java Province Economic Report from Bank Indonesia shows that digital economic and financial developments in the first quarter of 2021 experienced an increase in volume of 21.56% or reached more than 250 million transactions.

The high number of e-commerce users undoubtedly influences the increase in digital transactions. Before the pandemic, the number of consumer goods buyers in Indonesian e-commerce (January 2019) was 107 million people. Meanwhile, during

the pandemic, in January 2021, the number reached 138.1 million people. In West Java, the growth of e-commerce transactions in the first quarter of 2021 increased to 52.61% from the previous year, with a nominal value of IDR 17.91 trillion, where non-cash payments via bank transfer (35.27%) and electronic money (30.65%) are still the favourite methods chosen by the public.

The increase in electronic transactions offers Micro, Small and Medium Enterprises (MSMEs) choices to change their thoughts and actions by selling online. Of the 4,545,874 MSMEs in West Java, 26.2% actively use e-commerce to market their products. Nationally, 13.7 million MSMEs have migrated to online sales via the Sirclo platform, with the second largest number being MSMEs in West Java at 21% after Jakarta. To help MSMEs affected by the pandemic, the West Java Provincial Government has launched a safe and user-friendly marketplace, *borongdong.id*. The target market for *borongdong.id* is the West Java State Civil Apparatus (ASN), numbering more than 300 thousand people.

Around 260 West Java MSMEs have marketed their products via *borongdong.id*. (10/02/2021). The presence of this marketplace is expected to make digital technology a solution for economic recovery, considering the significant role of MSMEs in Indonesia's GDP, namely 57.24% in 2018.

### **MSME House Of Vandy's**

For example, House of Vandy's is an MSME Muslim clothing manufacturer from Beji District, Depok City, West Java. MSME was founded in 2014 as a second-hand seller (reseller) of Muslim clothing. However, over time, this MSME has produced Muslim clothing with its brand called Vandeesa.

Due to the Covid-19 pandemic, the House of Vandy's business experienced huge losses. Sales of Vandy's products fell drastically. It resulted in a halt in production for several months. This condition makes Vandy think more effectively and efficiently so that her business does not go bankrupt. Luckily, Vandy has been actively assisting Rumah BUMN Depok under the coordination of PT Telkom Indonesia (Persero) Tbk (Telkom).

Through her participation in Rumah BUMN, assisted by Telkom, Vandy received much training to manage finances, use digital technology, improve her ability to take product photos and create attractive product or service promotions. Not only that, House of Vandy also carries out promotions by displaying its products in several marketplaces, such as PaDi UMKM, Sakoo, and Bonum. The training provided by Telkom was practical in making its business survive during the pandemic. Few buyers are starting to become interested in the brand in the virtual world and visit House of Vandy's stalls in various marketplaces because the appearance of the products attracts them. "This would not have happened if Rumah BUMN and Telkom did not provide photography and copywriting training."

Apart from improving her new skills in making copywriting and taking attractive product photos, Vivi also took the initiative to launch new products such as masks, travel prayer mats and scarves. The market well received this innovation. Vivi said that House of Vandy's had received many orders for travel prayer mats since the product was launched.

## CONCLUSION

There is strong evidence that digitalization positively influences increasing MSME turnover in West Java. In previous studies, MSMEs that implemented digitalization strategies, such as online platforms, social media and e-commerce, experienced a significant increase in turnover. Digitalization allows MSMEs to reach a broader market, increase product visibility and expand consumer reach. Digitalization allows MSMEs in West Java to access technology and digital resources that were previously unavailable. Through the adoption of digital technology, MSMEs can increase operational efficiency, improve product and service quality, and improve customer experience. It has a positive impact on increasing the overall turnover of MSMEs.

Digitalization requires MSMEs to change their marketing and sales strategies. In an increasingly digital business environment, MSMEs must combine online and offline marketing to achieve maximum success. Implementing effective digital marketing strategies, such as social media, SEO (Search Engine Optimization), and online advertising, can significantly increase the turnover of MSMEs in West Java.

Even though digitalization has excellent potential to increase the turnover of MSMEs in West Java, some challenges must be overcome. Some common challenges related to digitalization are a need for more digital knowledge and skills among MSMEs, limited technological infrastructure, and data security and privacy that must be carefully considered.

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