

The Impact of Covid-19 on the Digitalization of Micro, Small and Medium Enterprises

(Dampak Covid-19 terhadap Digitalisasi Usaha Mikro, Kecil, dan Menengah)

Muhammad Iffan^{1*}, Retna Fadhilah²,
Isti AdzahTarapti³, Fitri Shahrani⁴

Program Studi Manajemen Pemasaran¹, Program Studi Akuntansi^{2,3}, Program Studi Sastra Inggris⁴
Fakultas Ekonomi dan Bisnis^{1,2,3}, Fakultas Ilmu Budaya⁴
Universitas Komputer Indonesia^{1,2,3,4}

m.iffan@email.unikom.ac.id

Retna.21118069@mahasiswa.unikom.ac.id

Isti.21118067@mahasiswa.unikom.ac.id

Fitri.63718043@mahasiswa.unikom.ac.id

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Abstrak: Tujuan dari penelitian ini adalah untuk mengetahui dampak pandemi virus corona terhadap digitalisasi di dunia usaha Mikro, Kecil, dan Menengah. Metode yang digunakan dalam penelitian ini adalah metode deskriptif dengan pendekatan kualitatif. Hasil penelitian menunjukkan bahwa berbagai cara telah dilakukan oleh para pelaku Usaha Mikro, Kecil, dan Menengah dalam menghadapi pandemi ini, seperti dengan berjualan offline, online, atau kombinasi keduanya. Namun akses internet dan indeks kesiapan digital para pelaku usaha tersebut menunjukkan bahwa Usaha Mikro, Kecil, dan Menengah ini belum sepenuhnya siap untuk segera beralih ke digital. Berdasarkan data, sebagian besar Usaha Mikro, Kecil, dan Menengah sudah mulai mencoba berjualan secara online. Penurunan omzet Usaha Mikro, Kecil, Menengah dan Koperasi akibat Covid-19 sangat signifikan sejak kemunculannya di penghujung tahun 2019 sehingga diperlukan inovasi untuk dapat menjalankan bisnis UMKM. Penggunaan internet dirasakan membantu Usaha Mikro, Kecil, dan Menengah untuk menjalankan bisnis, terutama di masa pandemi.

Kata kunci: Virus Corona, Usaha Mikro, Berjualan Online, UMKM.

Abstract: The purpose of this research is to find out the impacts the coronavirus pandemic has on digitization in the Micro, Small, and Medium Enterprises business world. The method used for this research was a descriptive method with a qualitative approach. The results show that various ways have been done by Micro, Small, and Medium Enterprises actors in dealing with this pandemic, such as by selling offline, online, or a combination of the two. However, internet access and the digital readiness index of these business actors show that these Micro, Small, and Medium Enterprises are not fully ready to immediately switch to digital. Based on data, most of Micro, Small, and Medium Enterprises have started trying to sell online. The decrease in turnover of Micro, Small, and Medium Enterprises and cooperatives due to Covid-19 has been very significant since its appearance at the end of 2019 so that innovation is needed to be able to run the UMKM business. The use of the internet is



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felt to help Micro, Small, and Medium Enterprises to run a business, especially during a pandemic.

Keywords: Corona Virus, Micro Enterprises, Selling Online, MSMEs.

I. INTRODUCTION

COVID-19 has had a major impact on the world economy, business activities and society. But digitization has also helped companies adapt and cope with the current situation caused by COVID-19 [1]. Information Technology knowledge is one of the main drivers of digitization in companies [2]. This has changed the way companies work in the business world in terms of what they will sell and how they will sell it [3]. In this more digital era, the relationship between organizations and customers is being reformed and new business models are being created. Nowadays, companies across industries need the ability to change rapidly to pursue new business opportunities and keep up with the changing global business environment [4]. The advantages of digitization are numerous: automation and optimal processes can increase productivity and profitability by speeding up production, increasing costs and significantly reducing errors [5]. For this reason, digital technology is seen as a suitable solution to the changes brought about by the COVID-19 pandemic [6].

Previous research conducted by I. J. Akpan (2020) stated that the data from the study shows a clear indication of the slow pace in which small businesses adapt or are willing to implement technology beyond the use of information technology infrastructure that is commonly used. [7]. Previous research written by D. Purwana (2017) stated that digitization in MSMEs ultimately increases sales turnover [8]. Astuti (2020) stated that how to improve marketing of MSME products through online marketing and offline marketing by utilizing current development technology can have an impact on marketing costs to be more effective and efficient [9]. Previous research conducted by I.J. Akpan (2020) stated that the current COVID-19 indicator offers an opportunity for the revival of a new generation of entrepreneurs to lead the next industrial revolution and find new ways of doing business by utilizing cutting-edge technology [10]

In this research aims to find out how big the impact or influence of Covid-19 is on the digitization of MSMEs and to find out how many MSME players have started to run their business digitally. To support this research, a survey is needed to obtain information from MSME actors. Survey is used to describe the method of gathering information from a sample of individuals. Information is gathered through standard procedures so that individuals are asked the same questions in more or less the same way. The purpose of the survey is not to describe specific individuals but to obtain a combined profile of the population [11].

II. METHOD

In this case, there is no direct measurement or calculation, which uses qualitative methods to measure the effect of Covid-19 on digitization in MSMEs. This method is carried out in Bandung City in fourth quarter of 2020 by sending a form to MSME partners to see the extent of the impact felt by partners with the existence of Covid-19 so that we can compare what was the difference after and before the existence of Covid-19. This study collected research data focused on the impact of an increase or decrease in sales revenue during the Covid-19 pandemic.

III. RESULTS AND DISCUSSION

In this survey, we gave 4 questions to find out how the conditions of sale of MSME players amid a pandemic like this.

3.1. Impact of A Pandemic on Sales Turnover

Covid-19 is certain to have a major impact on the economy in Indonesia. One of them is in the UMKM sector. The implementation of a government policy called Large-Scale Social Restrictions (PSBB) has made MSME players lose most of their consumers, which has caused their turnover or income to decline. From the survey through questionnaires that have been conducted on 31 people it can be seen as follows (Figure 1)



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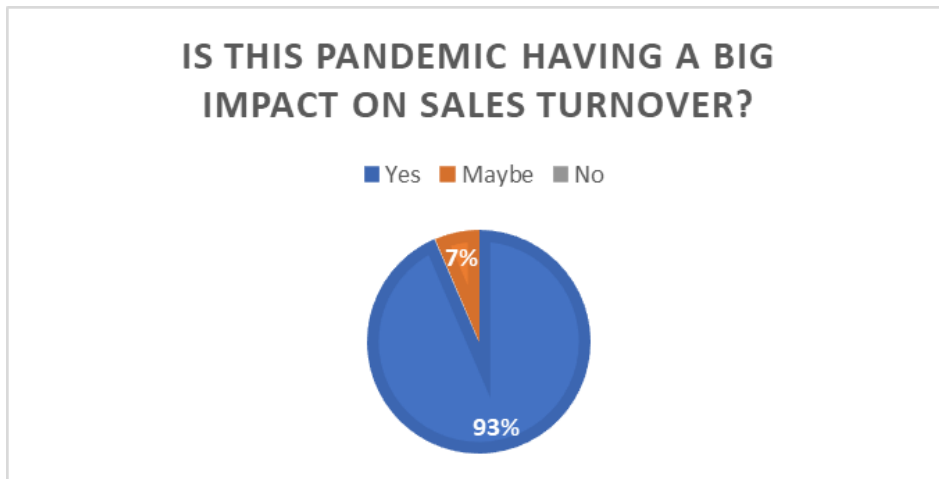


Figure 1. The Impact Felt by MSME Partners on The Turnover During The Covid-19 Pandemic

Based on the data from respondents that we obtained, it appears that Covid-19 has a very strong influence on the income earned by MSMEs. As many as 93% of the MSME players we surveyed felt a decrease in their turnover during the Covid-19 pandemic. This can occur due to regulations from the government that require citizens to stay at home so that there are fewer activities outside the home, difficulties in getting raw materials to sell due to limited transportation constraints, and also decreased consumer confidence in products that are outside the home because of fear, unhygienic and contaminated by the Covid-19 virus, especially the culinary sector. MSMEs can become one of the pillars of the economy in Indonesia because they also provide many jobs, but with the Covid-19 pandemic, many companies have started layoffs or laying off employees because they were caused by temporary company closures, causing a decrease in company income. besides that, as many as 7% of MSME actors were not too affected by this pandemic.

based on research, not all MSMEs feel a loss in sales turnover and have to forcibly close their businesses, there are also MSMEs whose economies are still stable and have increased sales turnover because they have been able to adapt in terms of sales and carry out some marketing. There are several changes that can be made by MSME players, including choosing to make new types of products or updating their marketing systems, because businesses that can survive the Covid-19 pandemic are businesses that can adapt to changes in their environment.

3.2. MSME Players Who Started Selling Online

In the middle of the Covid-19 pandemic, face-to-face sales have generally decreased due to the public mindset that thinks it's better to stay at home. In addition, many MSMEs choose not to open shops or businesses because of operational hours restrictions or the imposition of Large-Scale Social Restrictions (PSBB) in many areas, especially in large cities. To deal with the difficulties that are being experienced, MSME players must be able to adapt and innovate with environmental conditions and think of ways so that sales can generate profits. One way to stay afloat in running a business and get more consumers and expand the sales market that can be done by MSMEs is to take advantage of e-commerce sales.

E-commerce is the process of buying and selling products digitally by sellers to consumers with computer technology as a medium for business transactions. E-commerce, which was originally an online shop sales mechanism, now has a broader meaning. E-commerce has innovated into a new digital market with several advantages including clearer prices, easy access, and very efficient sales. Although not perfect, e-commerce has a direct impact on the relationship between business actors and customers, suppliers, competitors and can easily do marketing. Some examples of e-commerce that can be used by MSMEs in Indonesia are shopee, Bukalapak, Tokopedia, Lazada, open stall, OLX, grab, gojek, etc. Based on a survey we conducted; this can be seen in Figure 2.



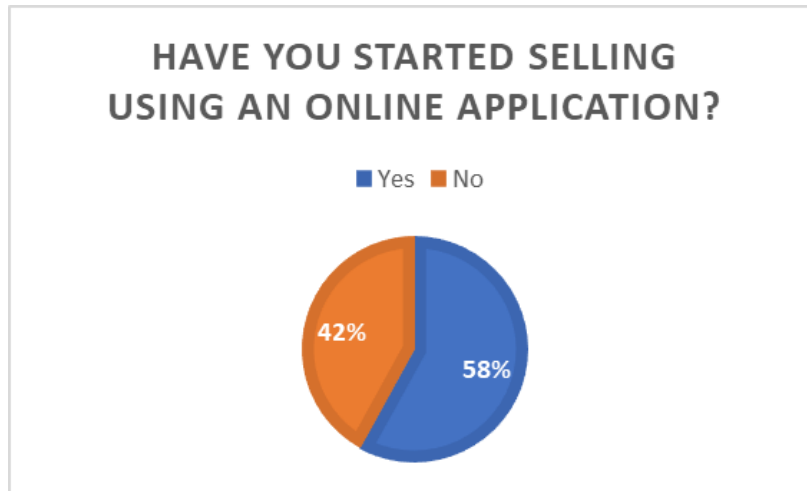


Figure 3. MSME Players Who have Started Selling Online

In this graph, it can be seen that there are still many MSME players who have not started selling online, namely as much as 38.7%. But besides that, there are also many MSME players who have realized and started selling online. More than 50% of MSME players have started selling online. There are various reasons why they started selling online, including because of this pandemic, people are limited from leaving the house, expanding sales, and making transactions easier. This is of course very good for sellers in facing this pandemic.

3.3. The Difficulty Level of Selling Digitally

In the era of the industrial revolution 4.0, it has become a necessity for MSME players to switch to online trading because the trading and shopping patterns of buyers have started to change, especially the Covid-19 pandemic which makes online sales the best choice for MSME players to be able to maintain sales. Although this digitalization is indeed the right solution for MSME players in facing the Covid-19 pandemic, it is not uncommon for MSME players to be confused by changes in this industrial 4.0 era. As we can see in Figure 3.

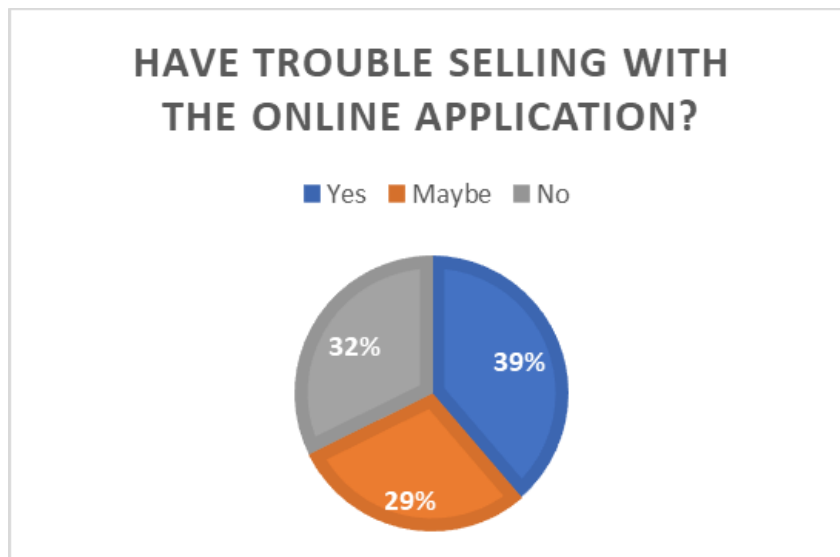


Figure 4. The Level of MSME Players Who have Difficulty Selling Online

It can be seen that 38.7% of MSMEs are able and fluent in selling online. However, most MSME players still have difficulty making digital sales. In this case, it is recommended for MSME players to first have a



provision of knowledge about the digital world, government or practitioners and education can also help to provide guidance or learning to MSME players so that they have sufficient knowledge and can use online sales to the fullest.

3.4. The Sales Media Used by MSME Players

Internet social media is the most widely used source of information in companies. Because the internet can reach all areas, it is very potential and fast to convey a variety of information universally, with quality, and at almost no cost. The use of social media during the Covid-19 pandemic has become an obligation, especially in running a business and one solution to marketing products that can be done by MSMEs is by doing digital marketing. We must not avoid the digital developments that are currently developing rapidly. If you want to survive this pandemic, SMEs must be able to make the most of the benefits of digital development. To support digital marketing, a place to sell that can be accessed by sellers and consumers is needed. Can be seen in Figure 4.

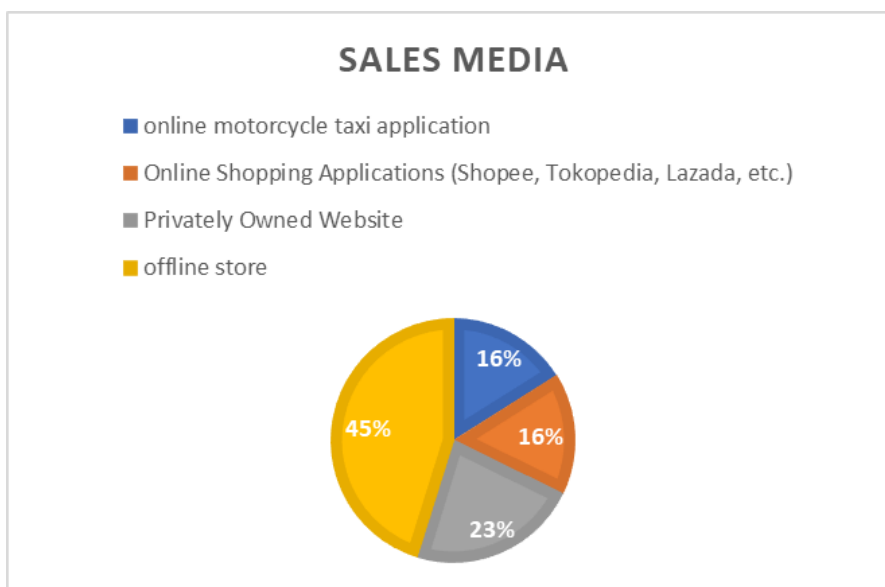


Figure 4. MSME Players Who Started Selling Online

Digital marketing will be the best communication tool in marketing, and offline stores are a complement, because digital marketing has the ability to make it easier for digital to reach more and expand consumers. There are several ways of digital marketing that can be done by MSME players to be able to do digital marketing, for example as follows: (1) uploading product photos and videos intensively on social media accounts. Social media must also be adjusted to the type of product we are selling. (2) In addition to utilizing online shopping applications, MSME players can also take advantage of advertisements on social media such as Instagram ads, Facebook ads, Twitter ads, etc. which are very often accessed by buyers and can also reach buyers with the criteria of our sales products. (3) promote sales products directly on social media. With this, it can affect the mindset of consumers to immediately buy the goods we sell for fear of the goods being bought first by other buyers. if done properly, this strategy will have a positive effect on sales. (4) Make consumers involved in choosing sales products, provide intensive knowledge and introduction about the quality of products to be sold on social media by using words that are interesting to read and using hashtags (#) to make it easier for buyers to find what they are looking for. That way it is expected to influence the decisions that consumers will buy. Unfortunately, from the data we surveyed, 45.2% of MSMEs still use their offline stores as places to sell. In addition, 54.8% of MSMEs can sell online on their respective media platforms. And 22.6% of MSMEs are able to create websites.



IV. CONCLUSION

The Covid-19 has had an impact in the form of changes and shifts in consumer purchasing patterns. Generally, although there are online sales, not a few consumers still buy products directly at shopping stores. This is because he feared that it was not as expected when shopping online, so they preferred to shop in person. However, nowadays, due to government restrictions and regulations not to leave the house, consumers automatically do not allow him to linger outside the house. In Indonesia today, the Covid-19 pandemic has a major impact on the instability of the economic sector, one of which is MSMEs. MSME players have experienced the impact of the Covid-19 pandemic in the form of a decrease in sales turnover due to regulations from the government that oblige people to stay at home so that many MSMEs are forced to stop operating and selling for a while. Therefore, they must innovate and have a strategy by selling online so that they can still earn income and not suffer losses. However, it turns out that their knowledge about digitization is still lacking and still needs to be addressed so that MSMEs can conduct online sales properly and correctly.

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