

STRATEGIES TO DEVELOP MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) BUSINESS THROUGH E-COMMERCE AND E-BUSINESS

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Abstract

The development of innovation is one of the factors driving economic growth in Indonesia. This can be seen from the rapid innovation of business support through e-commerce and e-business. The utilisation of e-commerce and e-business allows MSMEs to expand their consumer base. With e-commerce and e-business, it is expected that SMEs can increase. This indirectly impacts economic growth in MSMEs in Indonesia. But in reality, there are still few MSMEs that utilise e-commerce and e-business as a means of selling their products. It is certainly still needed a strategy to develop business in MSMEs through e-commerce and e-business. The development of Indonesia's digital economy is mainly driven by e-commerce, sector-wise. In terms of physical sector development, e-commerce has a huge influence on society, especially on the commercial business sector in Indonesia. MSMEs have a lot of room and potential to participate in the progress. This article uses the literature study method by elaborating on various literature on the development of MSMEs with e-commerce and e-business. This research aims to find out the internal and external factors that can influence the adoption of e-commerce by MSMEs, find effective strategies in improving MSME businesses through e-business and e-commerce. In addition, knowing the impact and challenges of MSME digital business on economic growth in Indonesia by reviewing various literature studies in obtaining data and also the perspective of existing research. With these aspects, it is hoped that MSME players can overcome the problems that may be caused by the adoption of digital technology.

Keywords: Business, E-Commerce, E-Business, Technology, MSMEs.

Introduction

The development of innovation is one of the factors driving economic growth in Indonesia. This can be seen from the rapid innovation of business support through e-commerce and e-business. According to Laudon in Pradana (2015: 163), e-commerce is a process where consumers and businesses electronically purchase and sell products using computers as intermediaries in consumer-to-business transactions or vice versa. Utilising this growing innovation is very important for business stakeholders. One of the companies that utilise the development of digital technology in the form of e-commerce is MSMEs. The transition to e-business is driven by changing times in terms of trade through digital. Where the number of e-commerce users itself continues to increase every year. According to the PPRO report, Indonesia recorded the highest growth of 78% per year in online trading. The convenience and efficiency encourage e-business and e-commerce in Indonesia to expand and develop.

Table 1 Number E-commerce Users in Indonesia

Year	Total Users
2020	38,72
2021	44,43
2022	50,89
2023	58,63
2024	65,65

Source: Statista Research Department

According to the Statista Department, the number of e-commerce users in Indonesia continues to increase. The number of e-commerce users in Indonesia is expected to continue to increase from 2024 to

2029 with an average total of 33.5 million users. There are several e-commerce that have developed in Indonesia, including Tokopedia, Shoppe, Bukalapak, Lazada and Blibli. These developments certainly provide great opportunities for MSME players to improve their business and also expand markets and operational efficiency. With the existence of e-commerce and e-business, it is expected that SMEs can increase. This indirectly has an impact on economic growth in MSMEs in Indonesia. But in reality, there are still few MSMEs that utilise e-commerce and e-business as a means of selling their products. Based on data from the Ministry of Cooperatives and SMEs, the number of MSMEs in Indonesia has reached 64.2 million. The number of digital-based MSME users is still relatively far from the number of existing MSMEs.

Table 2 Digital MSME User Data

Year	MSME Users Go Digital
2020	9,4
2021	15,3
2022	20,24
2023	21,8
2024	27,2

Source: Ministry of Trade

The development of Indonesia's digital economy is mainly driven by e-commerce, sector-wise. In terms of physical sector development, e-commerce has a huge influence on society, especially on the commercial business sector in Indonesia. The Ministry of Trade said that 22 million MSMEs, or 33.6 per cent of total MSMEs, have joined the digital economy by 2023. Meanwhile, the Indonesian government targets 30 million digital MSMEs by 2024 (Ministry of Cooperatives and SMEs). Thus, MSMEs have a lot of room and potential to participate in the progress of the digital economy industry going forward. In this case, government efforts are needed to encourage and strive for access to digital platforms. In addition, MSME players can also conduct training to improve their business to encourage national economic growth.

Of course, strategies are still needed to develop business in MSMEs through e-commerce and e-business. This research aims to determine the internal and external factors that can influence the adoption of e-commerce by MSMEs, find effective strategies in improving MSME businesses through e-business and e-commerce. In addition, knowing the impact and challenges of MSME digital business on economic growth in Indonesia by reviewing various literature studies in obtaining data and also the perspective of existing research. With these aspects, it is hoped that MSME players can overcome the problems that may be caused by the adoption of digital technology. Based on this, it can attract the author's interest to study problems regarding strategies for developing MSMEs through e-commerce and e-business.

Methods

This article uses the literature study method by reviewing and interpreting all information related to the research subject. Library research is a methodology used to collect comprehensive information and data from various sources, including literature, books, notes, magazines, other references, and the results of previous related research, to find answers and build a theoretical foundation regarding the problem being investigated (Indrawan, & Yaniawati, 2014). The main focus of this research is on strategies to advance MSME businesses through e-commerce and e-business. This approach will illustrate that MSME development is one of the alternative growth paths in the realm of e-commerce and e-business, while providing support for MSMEs in the digital economy era. In addition, the implementation of e-business that includes the use of data for decision-making and automation can provide a competitive advantage for MSMEs. Previous research shows that collaboration between the government, private sector, and MSME community is needed to create an ecosystem that supports and facilitates the widespread use of digital technology. This strategy can increase the contribution of MSMEs in the national economy and help them remain relevant in the global market (Febriantoro, 2016).

Results and Discussions

1) Internal and external factors influencing the adoption of e-commerce and e-business by MSMEs in Indonesia

Globalisation and technological advancements are forcing MSMEs to adjust to contemporary changes. One potential approach is e-commerce and e-business. The utilisation of e-commerce and e-business allows MSMEs to expand their consumer base. The incorporation of digital technology in MSMEs is shaped by various internal and external elements. The TOE (Technological, Organisational, and Environmental) framework, originally proposed by (L.G. Tornatzky, 1990), is the preferred choice of researchers as it effectively covers various aspects in examining e-commerce and e-business adoption. In this framework, four factors that influence MSMEs' decision to adopt e-commerce and e-business are identified from technological factors, organisational factors, environmental factors, and an additional category, individual factors. The following are the internal and external elements that impact the adoption of e-commerce and e-business by MSMEs in Indonesia.

A. Internal Factors

1. Technology. As stated by (Auliandari, 2022), technology is a fundamental component and is one of the elements that will be adopted by MSMEs. Factors that influence the use of technology include (Ausat et al., 2022): Perceived benefits refer to the extent of acceptance and potential benefits of technology utilisation for MSMEs. Perceived benefits act as a positive aspect that drives the adoption of e-commerce and e-business. The more management understands the benefits derived from e-commerce and e-business, the higher the likelihood of an organisation or MSME adopting e-commerce and e-business. Compatibility indicates the extent to which the application of technology for electronic commerce is aligned with the existing organisational culture, technology framework and performance execution. Perceived compatibility can be assessed based on how well e-commerce and e-business align with a company's current technological infrastructure, culture, values and work practices. Cost is the cost associated with the utilisation of technology to adopt e-commerce and e-business, which can impact the utilisation of technology in these areas. When costs are lower, business opportunities to implement e-commerce and e-business are greater (Rahayu & Day, 2015).
2. Organisation. According to (Noviani Hanum & Sinarasri, 2018) organisational factors are characteristics that can influence the acceptance of e-commerce and e-business technology by MSMEs. Elements of an organisation include technological readiness and business scale. Technological readiness relates to the infrastructure, systems, and expertise needed to support the implementation of e-commerce and e-business by MSMEs. The higher the technological readiness in an organisation, the greater the tendency of the organisation to use e-commerce and e-business.
3. Individuals. Acceptance of e-commerce and e-business technology is highly dependent on the willingness of business owners to accept it (Auliandari, 2022). This is in accordance with research findings (Rahayu & Day, 2015) which show that personal factors include skills, experience, and innovation possessed by individual business owners or company leaders. These personal factors significantly influence the use of e-commerce and e-business in developing countries. Innovation is characterised by how quickly a person adopts new ideas compared to their peers in the same social environment. IT experience not only reflects technological proficiency in an organisation but also indicates how well management understands and supports the use of IT to achieve organisational goals. When business owners have a strong understanding of the functions and advantages of implementing e-commerce and e-business, they tend to adopt it faster.

B. External Factors

Environmental factors are external influences, such as demand from consumers and suppliers, competition, and other external resources that affect the adoption of e-commerce and e-business (Noviani Hanum & Sinarasri, 2018). Increasing pressure from business partners encourages companies to adopt e-commerce to maintain their competitive advantage (Duan et al., 2012). The more intense the competition in an industry, the greater the benefits of implementing e-commerce.

2) Effective Strategies that MSMEs Can Apply to Improve Competitiveness Through E-Commerce and E-Business

Effective development strategies are important to improve the competitiveness of Micro, Small and Medium Enterprises (MSMEs) in an increasingly competitive market. A focus on product and service innovation is one of the key strategies. By continuously improving the products and services offered, MSMEs can satisfy customers and keep up with upcoming market trends. Innovation helps MSMEs

differentiate themselves from competitors, create unique added value, and strengthen brand image. The effective strategies that MSMEs can implement to improve competitiveness through e-commerce include the following steps:

- a. Utilisation of the Right Platform. Choose an e-commerce platform that suits your target market and the type of products you sell. For example, popular platforms in Indonesia such as Tokopedia, Shopee, or Lazada, or even use social media such as Instagram and Facebook.
- b. Visual Content Optimisation and Product Description. Make sure product photos are good and product descriptions are clean and attractive. Good visual content can attract buyers' attention and increase conversions.
- c. Use of SEO and Paid Advertising. Applying SEO strategies to content on e-commerce platforms or MSME websites can increase the ability to be found on search engines. Use paid advertising on Google Ads, Facebook Ads, or within e-commerce platforms to reach more audiences.
- d. Responsive Customer Service. Providing fast and friendly customer service can increase customer satisfaction and encourage them to return. Good service can also encourage positive reviews that enhance the store's reputation.
- e. Personal Branding and Increased Customer Trust. Convey a unique and professional brand identity that is easy to remember. Including testimonials and reviews from customers is important to build trust.
- f. Periodic Promotions and Discounts. Use promos, vouchers and discounts from e-commerce platforms to attract shoppers, especially during special events like National Online Shopping Day.
- g. Collaboration with Influencers. Utilise influencers relevant to the target market to help expand the product's reach and attract the attention of a wider market.
- h. Digital Capacity Building. Improve digital skills through training, such as understanding how to use e-commerce platforms, digital marketing techniques, and social media management, so that MSMEs can compete effectively.

Overall, an effective MSME development strategy involves a combination of product innovation, technology utilisation, brand strengthening, strategic cooperation, and a focus on customer satisfaction. By implementing these strategies in an integrated and sustainable manner, MSMEs can improve their competitiveness, expand their market share, and achieve sustainable success in an increasingly competitive market. By implementing the above strategies, MSMEs can strengthen their competitiveness in an increasingly digitalised market and increase sales significantly.

3) Key Challenges Faced by MSMEs in Implementing E-commerce and E-Business and How to Overcome Them

MSMEs are one of the businesses that have been able to survive the COVID-19 pandemic and become a pillar in helping to restore the Indonesian economy after the COVID-19 pandemic. This proves that MSMEs are able to survive and innovate in various circumstances. To be able to maintain this, MSMEs must continue to be able to develop their business and keep up with various times, one of which is by developing business through e-commerce. However, it turns out that there are still various challenges faced by MSME players in implementing e-commerce, which hinders the growth of MSMEs in the digital era. SWOT analysis, which is an analysis of strengths, weaknesses, opportunities, and threats (SWOT), can be used to find out the challenges and obstacles faced by MSMEs. By doing this analysis, you can find out the strengths and opportunities that MSMEs have (Rokhmah et al., 2020).

The main challenge faced by MSMEs themselves is the limited technological infrastructure, especially for MSMEs operating in areas with limited internet. This can reduce their ability to run e-commerce platforms optimally. In addition, there are still quite a number of MSME players, both owners and managers, who still have limited digital knowledge and skills, which become a barrier in adopting e-commerce to develop their business. Then coupled with internal challenges such as financial limitations, website development, digital marketing and payment system integration are significant challenges for MSMEs in developing their businesses. In addition to internal challenges, there are also external challenges faced by MSMEs, namely building customer trust in online transactions and ensuring adequate data security is another challenge, which is important for maintaining reputation and customer trust (Kartini et al., 2024). In fact, the rapid development of digital data in Indonesia is still not matched by laws or regulations that can guarantee the protection of privacy rights, while the laws and regulations in Indonesia that regulate this are still in the form of ministerial regulations or the Electronic Information and Transaction Law (UU ITE) so that there are not enough regulations to regulate this.

To overcome these internal and external challenges, MSMEs need support through comprehensive technology training and education to overcome these challenges. The existence of e-commerce training and introduction to MSME players will be able to help MSME players be better prepared to face digital competition. Collaborating with guaranteed e-commerce platforms can reduce the burden of infrastructure and costs. In addition, the government and relevant agencies should take action by providing incentives, subsidies, and mentoring programmes to encourage technology adoption. To ensure that MSMEs can run safe and reliable e-commerce, upgrading digital infrastructure and implementing effective security measures are essential. Then the challenge that needs to be addressed to develop e-commerce in Indonesia is to create e-commerce regulations that can provide security in buying and selling goods and services. Since the transaction process can only be done through the internet, security guarantees must be explained and promoted. E-commerce transactions are very important because they affect customer trust. Trust is the key to making purchases, sales, and payments using computers and internet networks (Bahtiar, 2020).

Conclusion

Praise be to God Almighty who has given His grace and grace and physical health to the author, so that he can complete the writing of this article entitled 'STRATEGIES TO DEVELOP MSME BUSINESS THROUGH E-COMMERCE AND E-BUSINESS'. Understanding the goals of the innovation development strategy and the current challenges is intended to illustrate the present state of MSMEs in Indonesia. This article was created with that purpose in mind. The author fully realises that this paper is still really far from perfection besides that, there are still many shortcomings and irregularities here and there. For this reason, on this occasion the author wants constructive criticism and suggestions from readers for the perfection of this writing later. In this case the author, with all humility, expresses his deepest gratitude to all parties directly involved in this research and other parties involved indirectly. This research can be carried out with the help of many parties, for which the author expresses his gratitude and apologises for all mistakes and errors.

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