

## E-Commerce on the Success of Micro, Small and Medium Enterprises

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**Abstract** – This study aims to analyze the role of e-commerce in business success in the meta-measure path. E-Business is a new business model that provides significant benefits such as savings in the cost of fast execution of business transactions and encourages the globalization of business activities, thereby removing barriers to market penetration. E-Business is developed in large companies and creates in Micro, Small, and Medium Enterprises (SMEs). Small and Medium Enterprises (SMEs) are an essential part of a country or region's economy, including Indonesia. The method used is a qualitative analysis method with case studies. This study uses four micro-scale entrepreneurs who use e-commerce in carrying out their business activities as research objects. The analysis process is carried out based on e-commerce in Small and Medium Enterprises (SMEs) in Bandung. This picture is obtained through direct interviews with the object of research. Based on the study results, it can be concluded that, in general, e-commerce has a role that can help uses four micro-scale entrepreneurs in improving their business development. The results of the analysis also explain that the four micro-scale entrepreneurs persist in using e-commerce.

**Keywords:** E-commerce, E-business, SMEs, Entrepreneurs

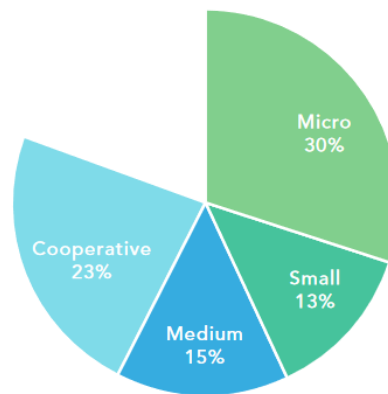
### Introduction

Indonesia's Micro and medium-sized enterprises (MSMEs) have played an essential strategic role in this digital age. The development of information technology, not only in the country but also in foreign countries, has a significant impact on the world economy. E-commerce is a new business model that can bring substantial benefits, such as saving the cost of quickly executing business transactions and encouraging the globalization of business activities, thereby eliminating barriers to market penetration. E-commerce develops not only in large companies but also in MSME.

The tremendous development of Web-based technology makes it possible to establish online business functions through the Internet. E-Commerce has completely changed the way of doing business globally (Febriantoro W, 2018). E-commerce is a new business model that can bring significant benefits, such as saving the cost of quickly executing business transactions and encouraging the globalization of business activities, thereby eliminating barriers to market penetration. Small and medium-sized enterprises are an essential part of a country and region (Purnama., et al, 2019). These MSMEs play a critical role in absorbing new workers and new businesses and can increase the number of new business sectors that can support household income. Compared with large-capacity enterprises, small and medium enterprises also have good business flexibility (Soegoto & Eliana, 2018). E-commerce is a concept that can be described as buying and selling commodities on the Internet, buying and selling items through the Internet, or the process of exchanging products, services, and information through the Internet information network (Ramadhani & Arifin, 2013). The 2014 ASEAN SME Policy Index pointed out that more than 96% of companies in the ASEAN region are MSMEs.

Regarding the importance of the MSME sector in Indonesia, several things must be emphasized, including MSME's important role in overcoming unemployment, supporting

poverty programs, and promoting income growth (Wu, Chen & Olson, 2014). In 2017, there were approximately 57 million small and medium enterprises (MSMEs) in Indonesia. SMEs currently employed by SMEs are about 97%, and 99.9% of all SMEs in Indonesia are SMEs. MSME accounts for approximately 60% of Indonesia's total GDP (Capri, 2019) in figure 1.



**Figure 1. Overall GDP of Indonesia (in %)**

*Source: Asia Pacific Foundation of Canada, 2019*

This can be seen from previous research conducted by Wicaksono F on dealing with the Asean Economic Community (AEC), which started in 2016. Micro, Small, and Medium Enterprises (MSMEs) are expected to be more productive and competitive. One way to increase competitiveness is by adopting ICT (information, communication, and technology), including the adoption of e-commerce. This is useful as input for stakeholders, especially the government and MSME players, to strengthen the MSME sector, especially in increasing e-commerce adoption (Mohammed & Knapkova, 2016). A further study conducted by Fadhilah R regarding MSMEs has limitations in accessing market information, so E-commerce-based information communication technology (ICT) is treated as a marketing medium. Therefore, it is expected to be a marketing solution to improve MSME products when facing the 2015 ASEAN Economic Community (Crawford., et al, 2018). Likewise, research conducted by Ketut E. In 2017, community service activities were carried out by identifying superior commodities with the OVOP approach in Karangasem Regency. The result is that there are 11 types of superior products produced by MSMEs scattered in 8 districts that only have a partly local marketing scale. Economic activities in Karangasem Regency are dominated by MSME activities with the characteristics of small capital, low labor, simple management, and simple technology. This sector can absorb a workforce of 27,709 people.

The role of MSMEs is strategic as a support for the regional economy and the welfare of the people of Karangasem Regency. However, promotion constraints and product marketing strategies are the main obstacles for this MSME sector. Therefore, it is necessary to strengthen the MSME sector, especially in terms of product marketing through E-Commerce (Newman, Schwarz & Borgia, 2014). From these various studies, E-Commerce can help MSMEs run their business and improve the business development of MSMEs. This is because E-Commerce is a business model that provides significant benefits such as savings in the cost of fast business transaction execution and encourages the globalization of business activities, thereby removing barriers to market penetration (Jones., et al, 2014).

Based on the results of a survey on the use of digital wallets conducted by DANA to 757 respondents in four major cities in May-July 2019, it is known that the most significant digital wallet users in Indonesia are in Bandung (69.4%). Followed by Jakarta (65.9%), Yogyakarta (63.8%), and Surabaya (37.5%) (Janjevic & Winkenbach, 2020). Therefore, it is necessary to study the success of e-commerce in micro-businesses in Bandung. Therefore, electronic commerce in the conduct of economic activity conducted by MSMEs may play a role in increasing business development not only in the country but also abroad. Provides significant benefits such as saving the cost of quickly executing business transactions and encouraging globalization of business operations, thus removing barriers to market penetration.

## Method

The method used is a qualitative analysis method, and a case study will be conducted in 2020. This research uses four micro-entrepreneurs who use e-commerce to carry out business activities as the research objects. The analysis process is based on the role of e-commerce in micro-enterprises. Small and medium-sized (MSMEs) shoe sales area on the roads of Bandung. The picture was obtained through direct interviews (questionnaires) with research subjects regarding how e-commerce can pay attention to the dangers in the business's success so that the company will not suffer losses. This article has prepared five main question criteria as survey questions in table 1.

**Table 1. Questions**

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1. With a ratio of 1 to 5 (very unprepared, unprepared, casual, ready, very ready), how is your company prepared to compete with similar MSMEs?
  2. In the range of 1 to 5, is your business ready to use e-commerce payments for transactions?
  3. On a scale of 1 to 5, when a customer makes a payment, how do you prepare for the interruption of the Internet connection?
  4. In the range of 1 to 5, how prepared is e-commerce in your business continuity role?
  5. In the range of 1 to 5, how do you plan to innovate in the face of technological development?
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## Results and Discussions

According to the interviews and surveys conducted by four Micro, Small, and Medium Enterprises (MSME) on Dipatiukur Street, it was found that SMEs have data discrepancies and readiness in facing there based on the survey questions at that may threaten their businesses. The data is obtained through interview techniques and simple surveys. It is aimed at four small and medium-sized enterprises: small and medium-sized enterprise A has a permanent place of business, has a business license, and large-scale marketing has a daily turnover of more than Rs. 50 crore. Company B has business operations with a turnover between 15 and 20. MSMEs C has a daily operating income of 50 million rupiahs and has production and sales itself. MSMEs C has a permanent business place, has a business license, and its daily large-scale marketing turnover exceeds 85 million rupiahs. A shop has a daily turnover of 2 to 25 million

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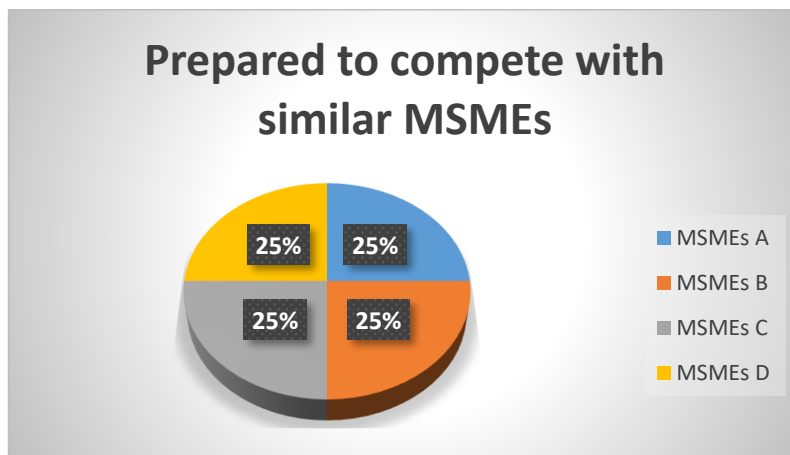
rupiahs. The results of the survey data conducted are shown in Table 2.

**Table 2. The Role of E-Commerce in the success of 4 MSMEs on Dipatiukur street**

Success Aspects of MSMEs	MSMEs A	MSMEs B	MSMEs C	MSMEs D
Prepared to compete with similar MSMEs	5	5	5	5
Business ready to use e-commerce payments for transactions	5	4	4	2
Prepare for the interruptions of internet connection	4	2	3	3
Prepared is E - Commerce in yourbusiness continuity role	3	2	5	4
Plan to innovate in the face of technological developments	2	4	3	1
<b>Number</b>	19	17	20	15
<b>Presentation</b>	76	64	80	60

*Prepared to compete with similar MSMEs*

All MSMEs interviewed are ready to compete with other similar MSMEs (scale 5 or 25%) because they are a shop and already have knowledge of how to overcome competition between other similar Small and Medium Enterprises in Figure 2.

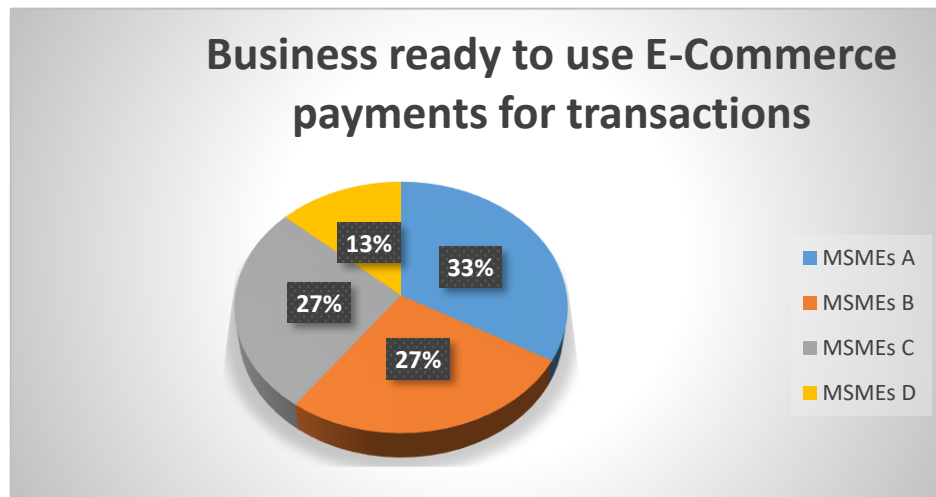


**Figure 2. Prepared to compete with similar MSMEs**

*Business ready to use e-commerce payments for transactions*

Among the four MSMEs that were interviewed, only UMKM D was not prepared to make transactions using E-Commerce payments because MSME D (scale 2 or 13%) did not have any knowledge about how to pay using E-Commerce and did not keep up with technological developments, while MSMEs A (scale 5 or 33%), B (scale 4 or 27%), and C (scale 4 or 27%) were ready to follow technological developments by making transactions using E-Commerce payments, they also know the advantages of transactions using E-Commerce

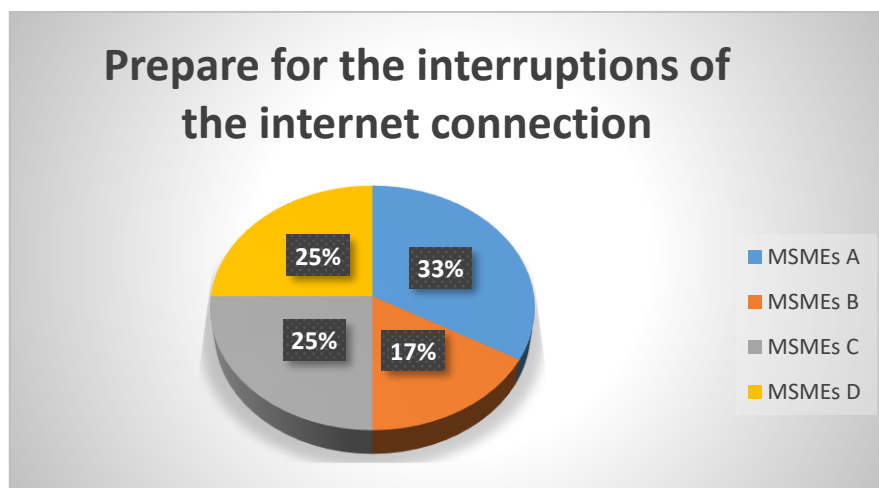
payments in figure 3.



**Figure 3. Business ready to use e-commerce payments for transactions**

*Prepare for the interruption of the Internet connection*

Among the four small and medium-sized enterprises, only MSME B is not prepared to face the problem of interrupted Internet connection when consumers pay, because MSME B (proportion 2 or 17%) will feel aggrieved by the interruption of Internet connection, while MSME A (proportion 4 or 33%), C (3 or 25% ratio) and D (3 or 25% ratio) are prepared to face the problem of interrupted Internet connection when consumers pay because these three small and medium-sized enterprises understand the use of e-commerce Risks of making payment transaction in Figure 4.



**Figure 4. Prepare for the interruption of the Internet connection**

*Prepared is e-commerce in your business continuity role*

The business of MSMEs A (scale 3 or 21%), C (scale 5 or 36%), and D (scale 4 or 29%) are ready for the role of E-Commerce in the continuity of their business because they understand the benefits of having E-Commerce in their business. In comparison, MSMEs B (scale 2 or 14%) is not ready because MSMEs B does not want their business to fail by using E-Commerce in its industry in Figure 5.

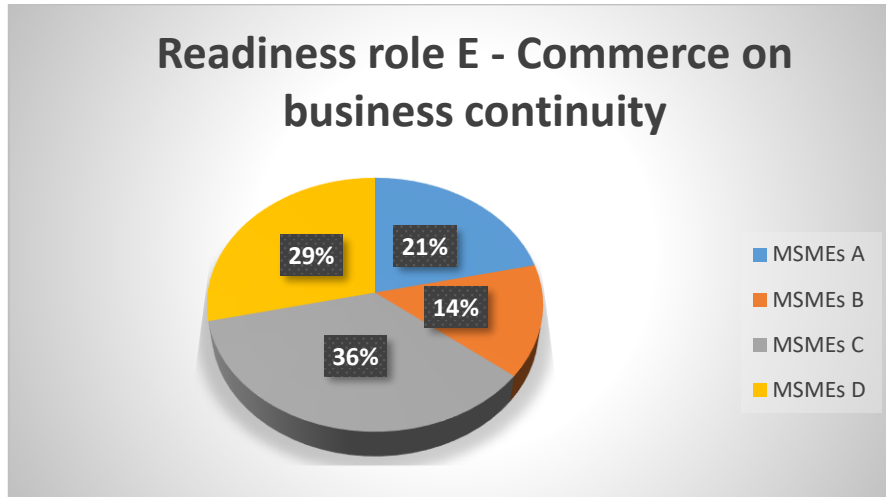


Figure 5. Prepared is e-commerce in your business continuity role

*Plan to innovate in the face of technological development*

MSME A (2 or 20% ratio) and MSME D (1 or 10% ratio) are not yet ready because they only focus on technological development and do not want to know more about technological development. In comparison, MSME B (4 or 40% ratio) And MSME C (3 or 30% scale) are ready to create innovation in the face of technological development, just like the previously known MSME B. They don't understand any specialized development knowledge, so that MSME B will learn and use the importance of technology for development. At the same time, MSME C believes that they need to increase their technical knowledge, because so far, with the existence of e-commerce, their business is very profitable in figure 6.

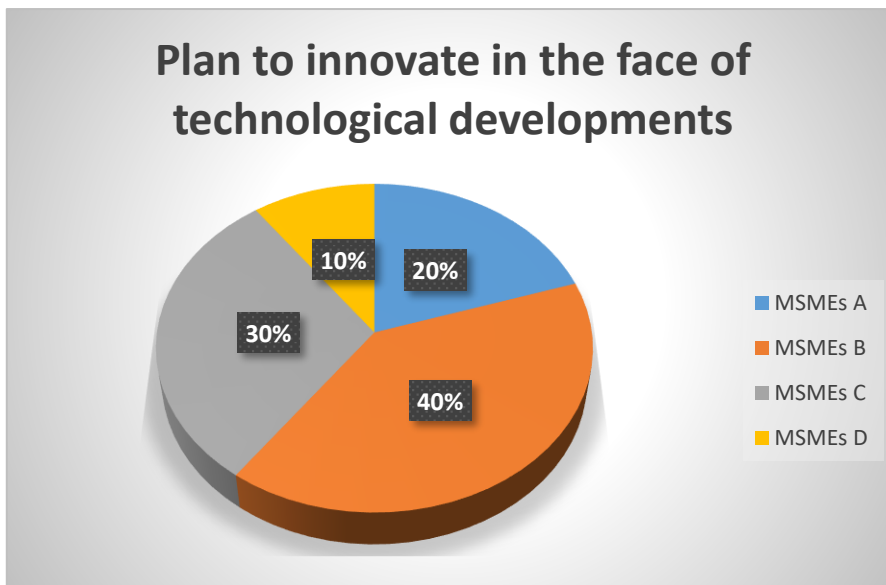


Figure 6. Plan to innovate in the face of technological development

**Conclusions**

Based on the above discussion, it can be concluded that micro, small and medium enterprises need sound risk management to anticipate possible threats in their business processes, such as limited business premises, public service police forces conducting raids, and competition with similar micro-enterprises Enterprises and product display competitions are prepared to meet the challenges of the globalization era and the weather challenges faced by

product marketing. If the products are not sold, it will cause losses, limited raw materials, good taste, and bankruptcy. Good risk management can ensure the sustainability of the MSME business.

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