

## Development of Digital MSMEs in Facing the Era of Digitalization in the Bengkulu City Area

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**ABSTRACT.** Digital transformation is essential for today's growing business world because it can shorten time, and money, and reduce funds. However, it can also be a challenge if businesses do not adapt to change. To overcome this, it is important to take an optimistic and proactive stance. Bengkulu City, one of the major cities in Indonesia, has considerable potential for the development of MSMEs (Municipal Units). However, there are still many MSMEs that have not utilized digital technology optimally, posing a threat to both the local government and MSME players. Factors that influence digitalization include the ease of conducting business transactions online, the need for business expertise, and profitability. To overcome these problems, the business world needs to adapt to the digital era by utilizing information and telecommunications technology in carrying out its business activities. The transition to rapid digitalization requires businesses to adapt and adjust to change. For MSMEs, the digitalization process requires many steps to encourage digitalization and make it easier for them to adapt. The increasing use of digital and the internet is a big challenge for MSMEs if they want to succeed in the business world. Strategies to overcome this include increasing digital literacy among MSME users, promoting digital literacy among MSME users, and promoting digital literacy among MSME users.

**Keywords:** Transformation; Challenges; Strategies; Digital MSME;

## INTRODUCTION

MSMEs are business activities carried out by individuals, small businesses, or groups of people. Usually, MSME businesses are associated with annual income, number of employees, and assets. The Ministry of Trade and Industry has finalized plans for implementing MSMEs based on Law Number 20 of 2008 for Small, Medium, and Large Enterprises. Moreover, MSMEs not only make a significant contribution to GDP every year. However, this business can also provide employment opportunities for the general public.

After the COVID-19 pandemic, Micro, Small, and Medium Enterprises (MSMEs) experienced a sharp decline in the number of employees. In the Indonesian economy, MSMEs are a business group that is sensitive to various forms of crises and economic shocks. The presence of MSMEs helps in distributing people's income and is a crucial factor in the Indonesian economy. As a tool for economic growth, MSMEs can increase national GDP, encourage more balanced economic growth, expand the workforce, and improve economic conditions during times of crisis. MSMEs influence the supply of labor and the quality of raw materials produced domestically. According to the Ministry of Cooperatives and SMEs, the number of MSMEs is currently 64.2 million people with a GDP contribution of 61.07%. In terms of economic contribution, MSMEs currently cover

97% of all existing labor force participation and contribute up to 60.4% of total investment. For MSMEs to advance in Industry 4.0, MSME players must have MSME readiness. Determining the potential of a business to adopt innovations is an important step in advancing and participating in market growth. Information and communication technology has a significant impact on business and industry. Electronic readiness is one of the most important tools for assessing a country's or organization's readiness to use, adapt, and utilize information technology effectively. This allows daily operational improvements, additional working days, and productivity evaluations without requiring technological advances, such as marketing strategies, that may or may not be beneficial for MSMEs.

The emergence of the digital economy in Indonesia is marked by a significant increase in the use of science and technology and the global adoption of gadgets. This does not prevent an economic downturn in Indonesia. The emergence of the digital economy coincides with the widespread use of smartphones and other gadgets by various groups of society. Several entrepreneurs are starting to develop to provide convenience for consumers. This situation forms a business strategy that encourages MSME players to collaborate and synergize with related parties. Therefore, the digital economy is sometimes referred to as a "sharing economy" which helps MSME workers stay safe in the world of business and international trade.

Digitalization is an important requirement for MSMEs to participate in negotiations to make them more complex. Implementing digital transformation can increase operational efficiency, and productivity and make organizational culture more flexible in facing transition. However, the MSME digitalization process also has complexities, risks, and uncertainties that must be considered carefully. Mistakes in digital transformation have the potential to be detrimental to MSMEs because they require large investments in terms of time and expertise. Therefore, MSMEs need to know the right digitalization strategy to reduce the impact of failure and achieve success in digital transformation.

### **Micro, Small and Medium Enterprises (MSMEs)**

Micro, small, and medium enterprises (MSMEs) are defined as having differences in all literary works according to several organizations, institutions, and even individual cases. Based on Law no. 20 concerning MSMEs of 2008, micro is a form of productive business owned by an individual or individual business entity, that meets the criteria for a micro business as regulated in this statutory regulation, medium is a form of productive economic business that stands alone, carried out by an individual or a business entity that is not part of a company or a branch of a small business or large business, and has total net income or sales proceeds. every year by the provisions regulated in law.

### **Digitalization**

The emergence of digital tools such as smartphones, the internet, mobile applications, web applications, and social media, has led to a marked increase in the growth of digital businesses. Advances in digital technology provide easier access for developed countries and small and medium business owners to increase business productivity and develop business infrastructure in the new era. Digitalization technology gives MSMEs an advantage in today's highly competitive industry by increasing their competitiveness. Because this sector is considered important for the stability and economic growth of a country, it is important for MSMEs (Pimoljinda & Siriprasertchok, 2018). However, MSMEs always face significant challenges, such as poor management performance, limited access to capital, poor technology adoption, and poor relationships with large businesses. Apart from that, penetration of digital technology has also been achieved.

## **METHOD**

This research is preliminary research using a qualitative approach. This type of research is called library research, with a sample of 5 MSME traders who do business from home using digitalization and MSME businesses that use digitalization in their business. Data collection techniques in this research are interviews and documentation studies. The data analysis used is a descriptive-analytical method.

## **RESULTS AND DISCUSSION**

### **Digital Transformation**

Digital transformation, which is becoming more sophisticated day by day, certainly provides benefits for the current conditions of business expansion. Technology can reduce time, effort, and costs with very minimal results. However, this transformation can become a very significant obstacle if the business venture is not successful. However, hesitation to change direction will result in a reversal of direction if the transformation does not meet expectations or is simply arbitrary. This needs to be discussed with great optimism and gentlemen. Any business must be able to adapt to continuously developing technology. Business owners will be encouraged to never stop learning. It sounds like it will take time and energy, but if successful it will greatly facilitate business operations. Bengkulu City is one of the regions in Indonesia that has large MSME potential. Based on data from the Bengkulu City Cooperatives and Small and Medium Enterprises Service, there are around 100,000 MSMEs in Bengkulu City.

However, there are still many MSMEs in Bengkulu City that have not utilized digital technology optimally. This is a challenge for local governments and MSME players to increase the development of digital MSMEs in Bengkulu City.

### **Factors influencing the digitalization of MSMEs**

From the results of our interviews regarding the factors that influence the digitalization of home-based MSMEs in the city of Bengkulu, the results we got were that the main factor experienced by these home-based MSME producers was providing easy access to business generated from home. Of the 5 MSME locations that we asked about, there are respective skills, including online transactions, desired expectations, business sector, level of experience, and profitability. Two shops have felt the influence of this digital, namely UMKM Azka Olshop and UMKM Empek-Empek Vina, where they feel helped which makes the business owners still survive. From the results we conducted during interviews, their views on this digital era responded well because it was very helpful in selling their products ranging from clothes, goods, and food. These factors are what make them enthusiastic, where nowadays everyone uses electronic devices and has access to social media, these 5 business people have started to use digital, where nowadays people have made transactions online, from buying goods to ordering food. and so forth. Even though there are positive aspects in this era of digitalization, there are also negative impacts felt by these MSME producers, one of which is Kedai-Al MSMEs, where the positive impact was felt during the Covid era which helped when the economy started to decline and is now feeling the impact. The negative side of digital is that income has dropped drastically where there is very tight competition which has caused income to drop drastically.

### **MSME digitalization marketing strategy**

Entrepreneurs use information technology and telecommunications to launch and manage their business ventures. The rapid progress and transformation of business practices towards digitalization have forced business owners to adapt to these changes. For large businesses, changes in business policies that hinder the digitalization process do not always cause problems because large

businesses usually have very efficient daily operations. However, for MSMEs to complete this digitalization process and make it easier for them to face the changes that are occurring, the government has increased the ease of access and use of technology transfer for MSME employees so that they can be more competitive in the business world. The ability to utilize digital and online platforms is a crucial factor that must be evaluated by MSMEs if they want to be successful in business.

According to research conducted in 2015 by Deloitte Access Economics, consumers are becoming increasingly susceptible to making decisions based on digital content and making purchases online. This is a challenge, but also a very relevant business opportunity for MSMEs in Indonesia. Based on the above, MSMEs have developed a digitalization strategy to increase their growth and become raw materials for their employees to use digitalization in their business processes. Local governments and MSME actors need to work together to develop digital MSMEs in Bengkulu City. Some strategies that can be implemented include:

1. Increasing digital literacy of MSME players. Regional governments can provide digital literacy training and assistance for MSMEs.
2. Increased access to digital infrastructure. To increase internet availability throughout the region, local governments can collaborate with internet service providers.
3. Development of a digital platform specifically for MSMEs. Regional governments can develop digital platforms specifically for MSMEs to make it easier for MSMEs to market their products.

### **Challenges of digitalization for MSMEs**

Micro, Small, and Medium Enterprises (MSMEs) face many challenges that can affect their performance and operational continuity. The following are some understandings of the challenges of MSMEs:

#### **1. Access to Capital and Funding**

MSMEs often face difficulties in gaining access to sufficient capital and funding to develop or maintain their businesses.

#### **2. Market and Marketing:**

Competing in an increasingly competitive market can be a challenge. MSMEs need to have an effective marketing strategy to reach consumers and expand market share.

#### **3. Business Risk**

MSMEs often have higher risks, and they may not have as many resources to manage those risks. This includes operational risk, market risk, and financial risk.

#### **4. Technological and Market Changes**

Market dynamics and rapid technological developments can make it difficult for MSMEs to remain relevant and adapt to these changes.

## **CONCLUSION**

The increasing use of digital and the internet is a big challenge for MSMEs if they want to be successful in the business world. Strategies to overcome this include increasing digital literacy among MSME users, promoting digital literacy among MSME users, and promoting digital literacy among MSME users.

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