

THE ROLE OF DIGITAL PLATFORMS

in Growing Indonesian MSMEs





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As suggested by Castells, the development of information and communication technology has brought changes in the order of society. Society has changed from an industrialized society to a new paradigm, namely informational, which leads to the development of a network society. Not only does it change the human work system to be more efficient due to rapid technological adoption, but the exponential speed of technological development also shifts the meaning of capital. Social network and the ability to utilize digital technology has become new capital that one must possess in order to flourish in the current era.

The development of network society cannot be separated from the technology revolution that has enabled people to interact with other individuals without the limitations of space and time. As a concept, network society is a type of society where people and organizations are connected through digital networks like the internet. This creates a very complex system where information flows quickly and widely. In this type of society, knowledge and innovation are very important, and people can work together without needing a central leader. Hence, nurturing social networks becomes crucial. By building and maintaining social networks, individuals can access information, resources, and opportunities that they may not have otherwise.

In today's landscape, building social networks is crucial for Micro Small Medium Enterprises (MSMEs) players to succeed. Social networks provide MSMEs players with important entrepreneurial capabilities by enhancing learning and relationships with other





companies. These networks are also vital for fostering innovation in business, as entrepreneurs need access to information, knowledge, public acceptance, and sustainable relationships to succeed². Furthermore, social networks can help MSMEs players reach a wider market by leveraging social media or e-commerce platforms. Finally, developing personal social networks is a key asset for aspiring entrepreneurs to develop the individual character traits that are necessary to succeed in business. Overall, building and nurturing social networks is essential for MSMEs players to thrive in today's dynamic and interconnected business landscape.

The Journey of MSMEs Digitalization in Indonesia

The development of Micro, Small and Medium Enterprises (MSMEs) in Indonesia from year to year varied. However, with the rise of digital transformation, MSMEs in Indonesia can significantly benefit from the use of e-commerce platforms. These platforms provide the potential to develop local MSME products and expand their reach domestically and abroad. One such platform is BliBli, which in 2020 aimed to help Indonesian MSMEs trade using the online marketplace, with a target of 80% adoption rate. This is because MSMEs made a major contribution of approximately Rp. 8,500 trillion or 62% to the National GDP in 2020, according to data from the Ministry of BKPM. With the Covid-19 pandemic still ongoing in 2020, MSMEs were forced to adapt and survive by shifting from offline to online stores. Despite the challenging times, around 8% of MSMEs experienced increase in revenue after utilizing digital platforms to develop their businesses⁹.

During the Covid-19 pandemic, the Indonesian government encouraged MSMEs to adopt digital methods to revive the country's economy. The Proud Indonesian National Movement program (Bangga Buatan Indonesia) was launched to promote local MSMEs. Besides promoting local MSMEs, this initiative also provides training on e-commerce platforms. However, a 2021 survey by Bank Indonesia found that around 87.5% of MSMEs still experienced negative impacts due to the pandemic, indicating that the go digital MSME program has not been fully implemented. The Ministry of Cooperatives and Small and Medium Enterprises, the Ministry of Communication and Information, the Ministry of Trade, and the Ministry of Tourism and Creative Economy have joined forces with CEOs of marketplace platforms to help MSMEs on digital platforms. The Ministry of Trade has emphasized the importance of involving local products in e-commerce platforms, a target step set by President Jokowi to make 30 million MSMEs go digital by 2023. The involvement of Bukalapak, Blibli.com, Tokopedia, Shopee, Blanja, and Grab Food has resulted in around 4,914,413 MSMEs joining their marketplace platforms. E-commerce platforms offer consumers convenience, discounts, and easy transactions, making it the preferred choice for shopping.³

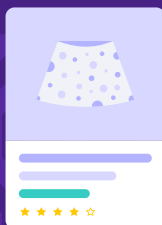
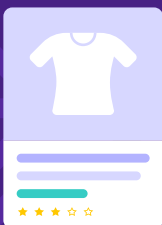
The Indonesian government continues encouraging small and medium enterprises (MSMEs) to adopt digital technology by launching programs such as the MSMEs Adopt Digital Technology 4.0 program, launched by the Ministry of Communication and Informatics (Kominfo) in May 2022.¹² According to BPS data from April 2020, around 48% of online sales increased during the Covid-19 pandemic through the utilization of e-commerce in business transactions. Kominfo is facilitating the program by providing registration opportunities and offering 6-month learning assistance in using digital platforms. The program aims to encourage MSMEs to use e-commerce platforms, specifically the five main platforms in Indonesia: Tokopedia, Bukalapak, Shopee,



Lazada, and Blibli. These platforms are popular due to their user-friendly interfaces, high levels of customer satisfaction, and relevant product variants for Indonesian consumers³⁰.

Castells' concept of the network society explains how the use of information and communication technology networks has become essential for social networking, both in terms of material and non-material needs, during the information age¹⁰. This has brought significant benefits to entrepreneurs in developed countries like Indonesia, where digital platforms have provided extensive marketing opportunities. However, this new era has also posed a challenge for society to efficiently process and distribute information due to the vast amount of data available online. To tackle this challenge, real-time information and communication have become critical sources of innovation that drive productivity, economy, culture, and power. Ultimately, information has become a form of human capital that empowers individuals to act within social networks to achieve desired outcomes, which can be seen in the resilience of Indonesian MSMEs during the Covid-19 era. The same formula will likely benefit MSMEs during the current recovery phase as well.

The digital economy has the potential to enhance the welfare of MSMEs in Indonesia, but this requires MSME actors to embrace the challenges of entering the digital world. This is in line with the global trend of advancing communication and digital technology, along with the demands of the era of



globalization, which necessitates adaptation to science and technology. Through the Nawacita program, the President of Indonesia has set the objective of improving the welfare of the people by promoting productivity and competitiveness in the international market through economic independence, which is expected to drive the growth of the domestic financial sector in the global space. To achieve this goal, adopting digital technology is necessary to reach the international market. Additionally, Indonesia aims to become the largest digital economy in Southeast Asia by 2020¹⁹, which highlights the importance of embracing digital technology to achieve economic independence and growth.

| MSMEs Challenges in Digitalization

While digital platforms offer promising opportunities, there are still many challenges for MSMEs and the digital community in Indonesia. These challenges include weak business management capabilities, a lack of digital literacy, and poor human resource qualities.³¹ According to a Bank Indonesia survey, a large percentage of MSMEs (87.5%) still have minimal usage of digital platforms, hindering their ability to transform digitally. Furthermore, data from Kemenkopukm on the distribution of MSMEs across 34 provinces in Indonesia indicates that the largest concentration of MSMEs is in the DKI Jakarta area (49,068), followed by West Java (9,714), Central Java (37,726), DI Yogyakarta (0,368), and East Java (3,124). Notably, 60% of MSMEs still operate through conventional markets, while only



16% utilize digital platforms (e-commerce), 8% use intermediaries, and 16% use other channels¹⁵. However, to tackle these challenges, several organizations like Kemenkopukm and UGM, along with fintech companies like Grab and Ovo, are taking initiatives to assist MSME players through learning classes and digital literacy programs.

In response to the challenges faced by MSMEs in digitalization, a number of organizations have stepped up to provide assistance and support. In 2022, Universitas Gadjah Mada (UGM) collaborated with the Indonesia Fintech Society (IFSoc) and companies such as Grab and Ovo to discuss the digitalization of MSMEs. Grab Indonesia and Ovo have been providing many conveniences for MSMEs through their features. However, many MSMEs still need help to operationalize these benefits. To address this issue, Grab provides learning classes for merchants to access materials on topics such as digital literacy in finance and marketing. Meanwhile, educational institutions like UGM offer assistance by providing students with an understanding of digital literacy to help MSME players improve their digital capabilities¹⁶.

| The Benefits of Going Digital

The presence of digital platforms offers opportunities for MSME players to innovate and develop their businesses, especially through digital finance. In 2021, as many as 73% of Indonesians needed online payments, according to data from Boku Inc on the Mobile Wallets Report³. This is because digital wallets provide many attractive offers. Bank BCA reported in 2020 that as much as 8.1 quadrillions circulated through internet banking²⁵. Digital wallet application company Dana recorded data that in 2020, Indonesians experienced more than 500% growth in digital transactions and around 500,000 MSME merchant users. Bank Indonesia also noted an increase in digital money transactions of around 50% in 2021³². The growth of digital transactions and the use of digital money is closely related to the

performance of MSMEs in Indonesia. When MSMEs adapt to the patterns of digital society, they can have a broad target market and capture all groups, especially considering that digital society prefers digital money transactions and e-commerce. Developing businesses through online social networks provide easy access to target markets and production without significant time and monetary investments. Each entrepreneur has different motivations based on the size and type of social network they are in and can use it to increase their expertise and knowledge².

| Penutup

In conclusion, social networks have become an important commercialization tool for entrepreneurs, particularly in the technology-based business center of Silicon Valley. The concept of entrepreneurial culture in the digital world involves utilizing technological creativity to generate monetary rewards, creating a new form of economic work. The era of industrialization and digital 4.0 presents both a challenge and an opportunity for Indonesian people. The digital transformation is now an obligation for all those who wish to adapt and take advantage of this era. Failure to do so may result in the stagnation of the industrial and economic sectors, leading to a lack of innovation and falling behind other countries such as Japan and America. In this context, MSMEs must adapt to the era of technology and information to capture a broad target market both locally and internationally and contribute to the national GDP.

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