

E-Commerce : A Glimmer Hope for MSMEs Development

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Abstract: This research aims to determine the effect of e-commerce on Micro, Small and Medium Enterprises (MSMEs) Income in Baubau City. The research was conducted on 83 MSMEs in Baubau. The research used Partial Least Square (PLS) as data analysis. The results show that there is a positive and significant influence of the use of e-commerce on increasing the income of MSMEs, which means that the higher the use of e-commerce in MSMEs, the higher the income of MSMEs in Baubau City. The implication of this research is that it will help MSMEs develop their products and provide information to the Cooperatives Department about the importance of e-commerce in increasing the income of Micro, Small and Medium Enterprises (MSMEs) in Baubau City

Keywords: e-commerce; MSME; Income

INTRODUCTION

E-Commerce is a trading activity through an electronic system or digital technology. E-commerce as a form of enterprise trading system from the traditional trading era to the technology-based era. Trading through electronic systems creates sellers and buyers more effective and efficient (Ehan & Goleman, Daniel; Boyatzis, Richard; Mckee, 2019). That's why e-commerce has a very strong relation with digitalization.

Digitalization requires a business to be able to create a new strategy and forces all business activities both from the operational level to management to be able to use digital (Shin et al., 2015) . According to Madrakhimova (2013) this situation has resulted in increased awareness of companies in maintaining their business reputation. This increased awareness has led to the concept of a sustainability strategy in many lines of business including micro, small and medium enterprises (MSMEs).

Based on the effect it has on digital transformation, managers who are active and up to date with the digital world, can engage the potential of new technologies and drive their introduction, which acts as a condition for entry into digital business strategy (Chatterjee et al., 2002; Li et al. , 2018). Several studies show that in digital transformation, businesses that obtain comprehensive information about their business continuity and use that information to reshape their strategy (Steurer et al., 2005; Torugsa et al., 2013) can succeed in digital business.

Based on katadata.co.id (2020) the economic crisis due to the Covid-19 pandemic has had an impact on the sustainability of micro, small and medium enterprises (MSMEs). Data from Cooperatives and the Ministry of Small and Medium Enterprises shows at least 37,000 MSME participants affected during the pandemic, and there were 1,900 MSME participants in Baubau City who were affected during the pandemic. MSMEs are the main driving force of the Indonesian economy. In 2018, this sector contributed 60.34% of the gross domestic product (GDP). Not only that, 116 million people (97.02% of the country's MSME workforce) were absorbed. The current pandemic situation has caused business conditions to worsen compared to before the pandemic.

The KIC survey showed that 56.8% of MSMEs were in very bad business conditions and only 14.1% of respondents said their business conditions were good. KIC also found that 62.6% of MSMEs could still survive after March 2021. However, around 18.5% of SMEs said they could only survive the next six months, and 6% of MSMEs said they could only survive for less than three months, if conditions remained unfavorable. improve, business closure is the last resort.

This study aims to determine the effect of e-commerce on company's income in micro, small and medium enterprises. E-commerce can be improved by implementing digitization, because companies can have goals to improve company performance which can be achieved, for example by changing old business processes and replacing them with automated processes, or replacing human labor with automated machines. Thus, it is hoped that the use of e-commerce can influence company performance by increasing the income of MSMEs

Khin and Ho (2018) argue that To make the right decisions in this digital age business, managers must be familiar with existing digital tools, applications, and solutions, need to have a clear vision of leveraging digitalization in business now and in the future, and the need to create a management culture that supports the use of digitalization in a business. Previous studies used managerial ability variables on company performance and found a significant positive effect. Thus this research proposes a hypothesis :

H1 = E-commerce has a significant positive effect on company's Income

METHOD

Based on the research design, Micro, Small and Medium Enterprises (which will be shortened to UMKM) in Baubau city, are the objects of this research. Based on Online Data System (ODS) data at the Indonesian Ministry of Cooperatives and Small and Medium Enterprises (UKM), Determination of the sample also uses a purposive sampling method by selecting samples based on certain criteria. The operational age of MSMEs is one of the criteria for determining the sample this time, where businesses with a minimum operational period of 1 year. The research was conducted on 83 MSMEs in Baubau city.

The data collection method that is often used in this study is the survey method, namely the technique of collecting and analyzing data in the form of opinions from the subjects studied (respondents) through question and answer. The survey method used in this research is a questionnaire (direct question). Questionnaires can be directly communicated to and collected from respondents (individually) or can also be communicated and collected by post. Questionnaires were distributed to MSME actors in Baubau city who had been operating for more than one year. This study tested the data using the PLS version 3 application. The data were analyzed using descriptive statistical tests, data quality tests.).

RESULTS AND DISCUSSION

The results show that there is a positive and significant influence of the use of e-commerce on increasing the income of MSMEs. The results of this test are consistent with the results of research conducted by several previous studies which found a significant positive effect (Chung et al., 2016; Adu et al., 2016; and Mbama et al., 2018). Several previous studies that are inconsistent with the results of this study are (Tsai, et al., 2019 and Padilla & Rodríguez, 2008). The test results showing that there is a significant positive effect proves that hypothesis 1 is proven.

Path (X \longrightarrow Y)	<i>T-Statistics</i>	<i>P-Values</i>	Hypothesis
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E-commerce	→	Corporate Income	2,172	0,002	Positive	Signifi- cant
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CONCLUSION

The results of this study explain that the ability of MSME's in using e-commerce has a significant positive influence on the dependent variable, namely company's income. The results indicate that the higher the use of e-commerce in MSMEs, the higher the income of MSMEs in Baubau City. The implication of this research is that it will help MSMEs develop their products and provide information to the Cooperatives Department about the importance of e-commerce in increasing the income of Micro, Small and Medium Enterprises (MSMEs) in Baubau City

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