



INCREASING THE INCOME OF MSME ACTORS THROUGH DIGITALIZATION: A STUDY CASE IN KOTA PARI VILLAGE

Rizal P. Lubis¹, Ahmad Fadlan², Aji Sadewo³

^{1,2,3}Universitas Pembangunan Panca Budi, North Sumatra, Indonesia

Email: ahmad_fadlan@dosen.pancabudi.ac.id¹, rizalplubis@dosen.pancabudi.ac.id²,
sadewoaji@gmail.com³

Abstract:

A significant trend in the business sector that arose in reaction to the advancement of information and communication technology (ICT) is the digitization of micro, little, and medium-sized enterprises (MSMEs). One important endeavor to help MSMEs' growth and competitiveness in the digital age is the digitalization of MSMEs through e-commerce. Here are some advantages and strategies for using e-commerce to digitalize MSMEs. MSMEs can take advantage of digital potential for long-term company growth with the correct tactics. There are numerous coastline tourism attractions in Kota Pari, including Mutiara 88 Beach, Woong Rame Beach, and Pondok Permai Beach. Because of this, Kota Pari is a popular tourist attraction. The marketing of MSME goods made in Kota Pari may benefit from this potential. Presenting the advantages and disadvantages of digitization for MSMEs is the aim of this study. The instance of Kota Pari village was also highlighted. Using library research and literature study techniques, this study took a qualitative descriptive approach. According to the study's findings, MSMEs players' income has been shown to rise when their products are promoted through digital marketing, technology-based initiatives like the Internet of Things, and operational and non-operational activities. The digital transformation process, however, may be complex and often challenging for MSMEs. Among the primary problems MSMEs face are limitations in their financial and human resources.

Keywords: *Digitalization, MSMEs, Opportunities, Challenges*

INTRODUCTION

In the growing digital age, information and communication technology is becoming a major factor in the expansion of jobs and Micro, Small, and Medium-Sized Enterprises (MSMEs). 64.2 million MSMEs, or 99.99% of all firm participants in Indonesia, were reported to exist in 2018, according to data from the Ministry of Cooperatives, Small, and Medium-Sized Enterprises. Additionally, it may take in 117 million people, or 97% of the labor absorbed by the corporate sector. However, it is impossible to overlook the importance of MSMEs to the national economy, as seen by their 61.1% GDP share, with large company players accounting for the remaining 38.9%. These actors make up only 5,550, or 0.01%, of all business actors. MSMEs must continue to grow because studies indicate that they contribute to the GDP of the country and greatly boost employment. However, MSME actors can't keep up with the rapid advancement of technology (Riyadi et al., 2023).

In 2018, MSMEs accounted for 57.8% of Indonesia's GDP, or 14,838.3 trillion rupiah, which was the overall GDP of the nation. MSMEs employed 117 million people, of whom 107.4 million worked for micro, 5.8 million for small, and 3.7 million for

medium-sized enterprises. Early in 2020, the COVID-19 epidemic began to spread rapidly. The sustainability of economic actors, notably MSMEs, has been impacted. The digitalization of MSMEs was one of the government's tactics to deal with this circumstance (Sudrajad et al., 2023).

Digital business strategy is a crucial change in company competences, operational procedures, and business processes and strategies that is necessary to accomplish digital transformation. Implementing a digital firm strategy requires key competencies, such as managerial and operational competencies (Wahyono, 2024). Furthermore, it is critical to understand that a digital business strategy is one that leverages digital technology to enhance competencies and adjust to the ever-changing business market environment. As a result, the company's digital business strategy places a strong emphasis on mastering the company's digital technology skills in order to achieve its digitalization goal.

Since marketing will grow in tandem with technological advancements, digitalization of marketing is an inevitable part of MSMEs' operations. Every invention is made with the intention of bringing about favorable outcomes, convenience, and novel approaches to everyday tasks. Numerous advantages have already been experienced by society as a result of technological breakthroughs brought about by digitalization. The benefits of digital marketing for a product are increasingly felt by users who cannot detach themselves from this internet world. For instance, internet marketers, influencers, bloggers, and now online stores are gaining more prominence in the eyes of consumers who are searching for specific items (L. N. Nasution & Yusuf, 2018).

MSMEs that embrace digitalization face both opportunities and challenges. Since everything will be connected online in this era of digitization and will greatly benefit MSMEs' owners, it is interesting to investigate this subject (Fadlan et al., 2023).

RESEARCH METHODS

This study employed a descriptive qualitative technique and the literature study method using library research (Rusiadi et al., 2024). Field data related to the title and data gathered from websites as a source of publication information are among the sources of the information. With its roots in philosophy, the descriptive qualitative study approach looks at scientific situations in which the researcher serves as the primary instrument. The descriptive qualitative method, which emphasizes comprehending meanings through qualitative data collection and analysis procedures, is grounded in philosophy and applied in scientific settings, where the researcher serves as the primary instrument (Rangkuty et al., 2024).

RESULTS AND DISCUSSION

The Opportunities of Digitalization on MSMEs

Businesses, particularly MSMEs, can benefit from digital marketing assistance when it comes to advertising and selling their goods and services. Businesses can enter and grow into previously restricted or limited markets by using digital marketing to get over obstacles related to time, location, and communication techniques (Nasution & Yusuf, 2018). Due to improvements in information technology, small and medium-sized businesses (MSMEs) can benefit greatly from the Internet's presence when it comes to product promotion. Additionally, MSMEs can work with other businesses thanks to the Internet. Rapidly developing technologies in the online realm make it simple and cost-free to connect large numbers of individuals, opening up new potential for MSMEs (Nasution et al., 2023). Digital marketing may assist Micro, Small, and Medium-Sized Enterprises (MSMEs) expand their market reach and visibility. MSMEs can use digital platforms like websites, social media, and search engines to establish and preserve their online presence. Through a versatile website and social media channels, MSMEs may showcase their products and services to a larger audience. Effective marketing strategies and engaging content can help MSMEs build a strong brand identity and attract new customers (Indriastuti & Kartika, 2022).

MSMEs' usage of digital marketing significantly boosts the sales of their goods and services. First off, MSMEs can conduct more focused and successful sales efforts by leveraging social media and e-commerce platforms. MSMEs can target consumers suitable to their customer profiles by utilizing the advertising and promotion tools on platforms such as Facebook, Instagram, or online marketplaces (Pereshybkina et al., 2017). MSMEs can raise the potential for sales conversions by improving the appeal of their goods or services, grabbing the attention of relevant customers, and optimizing targeting. Moreover, by applying data analysis and marketing tactics in digital marketing, MSMEs can have a deeper insight of consumer behavior. MSMEs can enhance conversions by modifying their marketing tactics based on the tracking of customer interactions with online ads or content. MSMEs can target customers who previously expressed interest but did not complete a transaction, for example, by using retargeting. MSMEs can boost the possibility that customers will complete transactions by displaying pertinent advertisements or exclusive offers. All things considered, MSMEs that use digital marketing have access to powerful tools that help them comprehend, connect with, and sway customers, which boosts sales of their goods and services.

The goal of the MSMEs digitalization initiative is to encourage them to use Internet of Things (IoT)-based technologies in marketing, finance, and production. It is anticipated that digitalization would improve manufacturing and management processes' efficiency, expand their market reach and competitiveness, and lead to the development of new market segments (Suliswanto & Rofik, 2018). Every MSME actor needs to be proficient in using e-commerce to both operational and non-operational business activities. Its goal is to boost MSMEs' output of innovative products. According to the resource-based view paradigm, MSMEs gain advantages when they possess or have control over strategic assets, both material and immaterial. By using a special set of resources that are precious, uncommon, imperfectly imitable, and non-substitutable, the resource-based view strategy helps MSMEs achieve sustainable performance (Indriastuti & Kartika, 2022). MSMEs with distinctive resources are better equipped to use digital "e-commerce" to speed up their commercial operations. It directly affects enhancing the financial performance of MSMEs. Furthermore, using e-commerce can boost productivity, reduce costs, and alter corporate strategy in addition to increasing sales. It will therefore have an effect on raising the MSME's financial performance.

The Challenges of Digitalization on MSMEs

Wider and simpler access to the digital world is made possible by the technology's increasingly rapid development (Adil et al., 2017). However, not everyone can readily comprehend and utilize this access because of the poor level of public education, especially when it comes to using digital banking in the Micro, Small, and Medium Enterprises (MSME) sector. Lack of knowledge and comprehension is a barrier to digital financing for certain MSME owners. Many MSMEs are unable to effectively utilize and understand digital technologies due to a lack of digital literacy or financial limitations (Sari et al., 2023).

Data security concerns have been recognized as a new risk for SMEs. How MSMEs will respond to the BMI as a result of digitization is still unknown. The main reason was security concerns. In support of this, Rahayu et al. (2024) noted that data breaches frequently result in performance disruptions for small and medium-sized businesses, of which 75% are global corporations. However, points out that there are no global standards for several aspects of data security. Because it will be more difficult for small and medium-sized enterprises to connect into non-standard value-added networks, this will reduce their ability to create value.

A lot of MSMEs don't have enough money set out for staff training or new technology purchases. The lack of human resources with digital abilities also makes it difficult for digital technologies to be adopted and used effectively. MSMEs find it difficult to effectively and fully utilize technology if they lack the necessary skills. Furthermore, a major obstacle to MSMEs' digital transformation journey is insufficient digital infrastructure. MSMEs are sometimes unable to effectively utilize digital technology due to sluggish or inconsistent internet connectivity, particularly in rural or isolated places. The problem is made worse by restricted access to essential gear and

software as well as erratic technical help. MSMEs are unable to compete on an equal basis with larger, more technologically proficient enterprises due to weak infrastructure. The ignorance of MSMEs about the advantages and applications of digital technology is another difficulty. The significance of digital transformation is often overlooked by small business owners and managers, and their comprehension of its implementation is inadequate. The adoption of new technologies and resistance to change are caused by ignorance. MSMEs may be reluctant to devote their time and resources to digitalization initiatives if they do not have a thorough grasp of the advantages and possibilities presented by digital technology. As a result, they may pass up chances to improve operational effectiveness and increase their market share (Rachmawati, 2024).

Digitalization on MSMEs in Kota Pari Village

Kota Pari Village in Pantai Cermin District is a marine tourism destination that offers more than just a lovely beach atmosphere—it is one of the villages that is right next to the Malacca Strait. In addition to beach tourism, Kota Pari Village provides ecotourism with honey guava plantations and coconut pandan nurseries, which have a unique flavor and distinctive pandan aroma. Among Kota Pari Village's maritime tourism attractions are Pondok Indah Beach, Woong Rame Beach, Mutiara 88 Beach, Kuala Dewi Indah Beach, Woong Pulo Beach, Perjuangan Beach, and Dua Rasa Beach. Each beach offers a unique natural setting.

According to the village's geographic features, this study focuses on the digital economic transformation aimed at increasing people's income in Kota Pari Village, Pantai Cermin District. This is because the cultural, tourist, and creative economy sectors are among those that make extensive use of digital technology for product innovation. E-commerce platforms are used to trade a wide variety of products that showcase Indonesian creativity and culture. Additionally, digital technologies are being used to create a digital platform that might be used to promote travel to Indonesia. E-commerce applications are an illustration of innovation and growth in the cultural, tourism, and creative economy sectors in the contemporary digital economy period.

Based on the findings, e-commerce has a considerable impact on income, while e-wallet and e-money have little to no effect on business actors' income in Kota Pari Village, and there is little evidence of a relationship between income and the variables under investigation. It is simpler to present things to potential buyers when they are sold and promoted online because everyone can see what they have. Business actors may be able to sell their goods on a worldwide scale. Customers can easily obtain information about the things they own when they order online. Other advantages of using e-commerce include the potential to boost corporate productivity due to the removal of time and space constraints. Furthermore, e-commerce reduces expenses and eventually raises company players' profits, particularly in Kota Pari Village.

CONCLUSION

Many places, including Kota Pari Village in North Sumatra, rely heavily on small businesses to boost the local economy and enhance family welfare. These tiny companies, which operate in the informal economy, frequently provide the majority of a family's income in the community. Nevertheless, the limitations that these tiny company owners must deal with frequently impede their companies' capacity to expand and survive. For a business to be viable, it needs to have a well-defined goal and strategy. The results of this study explained that promoting MSMEs products through digital marketing, technology-based like IoT, operational and non-operational activities are proved to increase MSMEs actors' income. However, for MSMEs, the process of digital transformation can be intricate and frequently difficult. Financial and human resource constraints are among the main issues MSMEs confront.

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