

Capturing Digital Capability Readiness Among Indonesian MSMEs Actors in The Era of Pandemic COVID-19

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Abstract

Understanding aspects related to digital capabilities will be beneficial for MSME players both in terms of technical potential and to facilitate the pace of business growth and the success of these MSMEs in the industry. Therefore, the purpose of this study is to measure digital capabilities among MSME business actors in Jakarta. This study aims to measure the readiness of MSME players in Jakarta in terms of digital capabilities in operating a business online. To analyse the data, this study used descriptive analysis. The results show that MSME players from small-sized enterprises have the highest understanding and digital capabilities compared to business actors of other types of business. The research only focusing on MSMEs players in Jakarta area, the further study needs to be established in narrower scope such as focusing on one specific industry in Jakarta area. MSME players is to invest more in digital skills that can give birth to digital innovations such as involving themselves in using digital tools such as seeing market sentiment via digital platform. This study has a unique proposition that contribute to the empirical understanding of digital capabilities readiness among MSMEs actors in Jakarta.

Keywords: COVID-19, Digital Tools, Digitalization, MSMEs, Online Business

Abstrak

Memahami aspek-aspek terkait kapabilitas digital akan bermanfaat bagi pelaku UMKM baik dari segi potensi teknis maupun untuk memudahkan laju pertumbuhan bisnis dan keberhasilan UMKM tersebut di industri. Oleh karena itu, tujuan penelitian ini adalah untuk mengukur kapabilitas digital pelaku usaha UMKM di Jakarta. Penelitian ini bertujuan untuk mengukur kesiapan pelaku UMKM di Jakarta dalam hal kapabilitas digital dalam menjalankan bisnis secara online. Untuk menganalisis data, penelitian ini menggunakan analisis deskriptif. Hasil penelitian menunjukkan bahwa pelaku UMKM dari usaha kecil memiliki pemahaman dan kemampuan digital yang paling tinggi dibandingkan dengan pelaku usaha jenis usaha lainnya. Penelitian ini hanya berfokus pada pelaku UMKM di wilayah Jakarta, studi lebih lanjut perlu ditetapkan dalam lingkup yang lebih sempit seperti berfokus pada satu industri tertentu di wilayah Jakarta. Pelaku UMKM lebih banyak berinvestasi pada keterampilan digital yang dapat melahirkan inovasi digital seperti melibatkan diri dalam menggunakan alat digital seperti melihat sentimen pasar melalui platform digital. Studi ini memiliki proposisi unik yang berkontribusi pada pemahaman empiris kesiapan kapabilitas digital di kalangan pelaku UMKM di Jakarta.

Kata kunci: COVID-19, Digital tools, Digitalisasi, UMKM, Bisnis online

1. Introduction

Based on Tuuri (2020), digitalization and its elements are one of the key factors for business. In fact, with the drastic changes in the economic environment caused by COVID-19, digitalization has become an enabling for business success. Companies are receiving "digital wake up calls" along with work that requires employees to work remotely and the importance of digitizing the business. At the same time, traditional companies are transforming their businesses based on digital-based operations solutions. Adam & Alarifi (2021) in their study said, although under normal conditions, MSMEs also must face a dynamic competitive environment due to the small scale of the business and limited resources that require them to survive in the industry. To maintain its competitive position, MSMEs must also can develop services digitally, using digital technologies to create value, for example, the ability to capture, interpret, and use data about products to be able to develop new business models.

The ability to use digital technologies that can provide opportunities for value and revenue creation is part of digitization. Digital capabilities are broader in scope than data digitization alone, digital capabilities include sales data programing (Hadistian & Sudhiarto, 2020). Based on Dr. Nyoman Adhiarna, director of digital economy, ministry of communication & informatics, there are 204.7 million internet users equivalent to 73.7% of the total population in Indonesia. Where there are 370.1 million cellular mobile connections in Indonesia (Adhiarna, n.d.).

In addition,(East Ventura, 2022) East Ventura (2022) in its report related to the Digital Competitiveness Index 2022 stated that, Indonesia is also starting to move towards a digital golden era where the development of the digital economy is increasingly showing an increase, driven by the great momentum of the pandemic, the economy is squirming again. This is shown by Indonesia's exit from the recession zone in the second quarter of 2021, with a growth of 7.07% compared to the previous year. The growth trend also continues in the fourth quarter of 2021 at 5.02% and is predicted to continue in the range of 5% in 2022.

MSMEs can benefit from digital innovation compared to other types of businesses due to the nature of the company and fear of losing the foundation of existing competitive advantages (Suwanto et al., 2022). However, the adoption of digital technology poses several challenges for MSMEs due to limited resources when it comes to implementing a digital innovation. Understanding aspects related to digital capabilities will be beneficial for MSME to facilitate the pace of its business growth. Therefore, the purpose of this study is to measure digital capabilities among MSME business actors in Jakarta.

2. Research Method

This study aims to measure the readiness of MSME players in Jakarta in terms of digital capabilities in operating a business online. To analyze the data, this study used descriptive analysis. Descriptive analysis aims to describe a phenomenon (Cabugsa, 2022), which is in line

with the investigation in this study, to measure the level of readiness of MSME business actors in Jakarta regarding digital capabilities.

The total number of respondents was 78 people. Most respondents were MSME business actors of female gender (74.4%) and male gender (25.6%). In terms of education level, the majority are undergraduate (60.3%). In terms of the length of time the business operates, most MSME players have been operating for 1-5 years (83.3%). Most business types of business actors are engaged in business sectors (37.2%) other than fashion (25.6%), culinary (35.9%), and automobile (1.3%). Most business actors have revenues ranging from 1-150 million rupiah (97.4%) by using marketplaces such as Tokopedia and Shopee (48.7%) and social media such as Tiktok and Instagram (48.7%) as the business system used.

The study features instruments developed by the Department for Business Innovation & Skills in its report by BMG research and Durham University (Baker et al., 2015). The aspects focused on in this research instrument are in terms of the ability to use systems for business, the ability to work remotely using business systems, the ability to manage business security online, understanding technology related to online sales, the ability to manage relationships with customers online, the ability to create product or service promotions through business systems, the ability to monitor the use of business systems, ability to develop a business system independently, and the ability to maximize sales through a business system.

3. Results and Discussion

3.1. Results

Based on the results above, it can be concluded that small-sized enterprise business actors have the best digital capabilities compared to business actors with other types of business in terms of using business systems. Although many business actors have qualified capabilities related to digital, there are still business actors who have low digital capabilities (See table 1).

Tabel 1. The capability of business actors in using a business system (by business type)

			Low	Medium	High	Total
Type_of_business	Micro-sized enterprise	Count	0	14	6	20
		% within	0,0	70,0	30,0	100,0
	Small-sized enterprise	Count	2	35	15	52
		%within	3,8	67,3	28,8	100,0
	Medium-sized enterprise	Count	0	5	1	6
		%within	0,0	83,3	16,7	100
Total		Count	2	54	22	78
		%within	2,6	69,2	28,2	100

Source: Research Results (2023)

In terms of working remotely using a business system, business actors who come from small-sized enterprises have the highest digital capabilities compared to business actors from other types of business. However, there are still business actors, both from micro-sized

enterprises, small-sized enterprises, and medium-sized enterprises who still lack of the digital capabilities (see table 2).

Table 2. The Ability Of Business Actors To Work Remotely Using A Business System (By Business Type)

			Medium	High	Total
Type_of_business	Micro-sized enterprise	Count	14	6	20
		% within	70,0	30,0	100,0
	Small-sized enterprise	Count	40	12	52
		%within	76,9	23,1	100
	Medium-sized enterprise	Count	4	2	6
		%within	66,7	33,3	100
Total		Count	58	20	78
		%within	74,4	25,6	100

Source: Research Results (2023)

Based on skills in managing online business, business actors from small-sized enterprises have the highest capabilities in terms of running a business online. In contrast to medium-sized enterprises which are still very lacking in terms of capabilities (see table 3).

Table 3. The Capability Of Business Actors In Managing Online Business (By Business Type)

			Low	Medium	High	Total
Type_of_business	Micro-sized enterprise	Count	2	13	5	20
		% within	10,0	65,0	25,0	100,0
	Small-sized enterprise	Count	2	41	9	52
		%within	3,8	78,8	17,3	100,0
	Medium-sized enterprise	Count	0	5	1	6
		%within	0,0	83,3	16,7	100,0
Total		Count	4	59	15	78
		%within	5,1	75,6	19,2	100,0

Source: Research Results (2023)

Business actors from small-sized enterprises also have the highest ability related to managing business security online compared to business actors from micro-sized and medium enterprises (see table 4).

Table 4. The Capability Of Business Actors In Maintaining Business Security Online (By Business Type)

			Low	Medium	High	Total
Type_of_business	Micro-sized enterprise	Count	2	13	5	20
		% within	10,0	65,0	25,0	100,0
	Small-sized enterprise	Count	2	41	9	52
		%within	3,8	78,8	17,3	100,0
	Medium-sized enterprise	Count	0	5	1	6
		%within	0,0	83,3	16,7	100,0
Total		Count	4	59	15	78
		%within	5,1	75,6	19,2	100,0

Source: Research Results (2023)

Based on the data above, business actors from small-sized enterprises have the best understanding of technology related to online business compared to business actors from other types of business. Followed by micro-sized enterprise business actors (see table 5).

Tabel 5. Understanding The Technology Of Business Actors Related To Online Business (By Business Type)

			Low	Medium	High	Total
Type_of_business	Micro-sized enterprise	Count	0	13	7	20
		% within	0,0	65,0	35,0	100,0
	Small-sized enterprise	Count	4	34	14	52
		%within	7,7	65,4	26,9	100,0
	Medium-sized enterprise	Count	1	5	0	6
		%within	16,7	83,3	0,0	100,0
Total	Count		5	52	21	78
	%within		6,4	66,7	26,9	100,0

Source: Research Results (2023)

In terms of the best ability to maintain relationships with clients online compared to business actors of other types of business is also owned by business actors from small-sized enterprises compared to business actors from other types of business (see table 6).

Tabel 6. The Capability Of Business Actors In Maintaining Relationships With Clients Online (Business Type)

			Low	Medium	High	Total
Type_of_business	Micro-sized enterprise	Count	0	13	7	20
		% within	0,0	65,0	35,0	100,0
	Small-sized enterprise	Count	2	31	19	52
		%within	3,8	59,6	36,5	100,0
	Medium-sized enterprise	Count	0	4	2	6
		%within	0,0	66,7	33,3	100,0
Total	Count		2	48	28	78
	%within		2,6	62,5	35,9	100,0

Source: Research Results (2023)

According to the data findings, business actors from small-sized enterprises have the highest digital capabilities related to the creation of product or service promotions through business systems. However, there are still business actors from small-sized enterprises who have low abilities related to the creation of product or service promotions that use a business system (see table 7).

Tabel 7. The Capability Of Business Actors In Creating Product Or Service Promotions Through A Business System (By Business Type)

			Low	Medium	High	Total
Type_of_business	Micro-sized enterprise	Count	1	13	6	20
		% within	5,0	65,0	30,0	100,0
	Small-sized enterprise	Count	5	36	11	52
		%within	9,6	69,2	21,2	100,0
	Medium-sized enterprise	Count	1	3	2	6
		%within	16,7	50,0	33,3	100,0
Total	Count		7	52	19	78
	%within		9,0	66,7	24,4	100,0

Source: Research Results (2023)

Business actors from small-sized enterprises have the best abilities in terms of monitoring business systems compared to business actors from other types of business (see table 8).

Tabel 8. The Capability Of Business Actors In Monitoring The System

			Low	Medium	High	Total
Type_of_business	Micro-sized enterprise	Count	1	13	6	20
		% within	5,0	65,0	30,0	100,0
	Small-sized enterprise	Count	2	38	12	52
		%within	3,8	73,1	23,1	100,0
	Medium-sized enterprise	Count	1	4	1	6
		%within	16,7	66,7	16,7	100,0
Total	Count		4	55	19	78
	%within		5,1	70,5	24,4	100,0

Source: Research Results (2023)

In addition, actors from small-sized enterprises can develop business systems independently compared to business actors of other types of business. Although, most business actors of this type of business still must improve their capabilities (see table 9).

Tabel 9. The Capability Of Business Actors In Developing Business Systems Independently (By Business Type)

			Low	Medium	High	Total
Type_of_business	Micro-sized enterprise	Count	1	13	6	20
		% within	5,0	65,0	30,0	100,0
	Small-sized enterprise	Count	2	41	9	52
		%within	3,8	78,8	17,3	100,0
	Medium-sized enterprise	Count	0	4	2	6
		%within	0,0	66,7	33,3	100,0
Total	Count		3	58	17	78
	%within		3,8	74,4	21,8	100,0

Source: Research Results (2023)

Based on the findings, actors from small-sized enterprises have advantages in terms of the ability to maximize online sales using a business system, compared to business actors from other types of business (see table 10).

Tabel 10. The Capability Of Business Actors In Maximizing Online Sales Using A Business System (By Business Type)

			Low	Medium	High	Total
Type_of_business	Micro-sized enterprise	Count	0	12	8	20
		% within	0,0	60,0	40,0	100,0
	Small-sized enterprise	Count	2	37	13	52
		%within	3,8	71,2	25,0	100,0
	Medium-sized enterprise	Count	1	3	2	6
		%within	16,7	50,0	33,3	100,0
Total	Count		3	52	23	78
	%within		3,8	66,7	29,5	100,0

Source: Research Results (2023)

3.2. Discussion

Based on the findings above, business actors from small-sized enterprises have all the advantages in terms of digital capabilities, ranging from the use of business systems to maximizing online sales using a business system.

This finding is supported by Karlthrop (2017) in his study where it is explained that small enterprises have flexibility and the ability to make decisions faster than larger companies

regarding the adoption of new technologies. Nonetheless, smaller-scale companies such as MSMEs have limitations in terms of resources and strategy.

Supporting the idea by Karltorp, East Ventura (2022) also suggest that Indonesia's MSME needs to improve the skills of digital resources to support the development of the country's digital economy. Developments include increasing capabilities to develop digital technologies such as software for processing information, data analysis, and the Internet of Things (IoT).

If you look at the root of the problem of the lack of understanding and capability of human resources related to the use of digital technology, this can be seen in (East Ventura, 2022) which states that there is still a gap between provinces in the HR pillar in Indonesia.

The survey also shows that the fundamental problem in Indonesia is the lack of digital competence in the curriculum. According to research from Korn Ferry (2018), it is estimated that the gap will expand if the pace of resource skill improvement is not accelerated.

4. Conclusion

Based on these findings, it can be concluded that business actors from small-sized enterprises have the best digital capabilities among actors from other types of business ranging from the knowledge about business systems to maximizing sales using business systems. The recommendation that can be given to MSME players is to invest more in digital skills that can accelerate its digital innovations such as using digital tools such as seeing market sentiment via digital platforms and adjusting responses based on market intelligence through trainings. Future agenda may focus on the exploration of digital capability readiness in one specific industry in Jakarta area and provide detailed explanation about the comparison between MSME players that are not only have high level of digital capability but also those that have low level of digital capability and suggest potential strategic measures to fully achieve its sustainable digital performance.

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