

# Income Recovery Strategy for MSMEs through Digital Transformation Post Covid-19

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**Abstract.** The aim of this study is to analyze the extent to which digitization strategies are involved in the MSMEs Revenue Recovery process in Indonesia. The research was conducted with review literature based on data from books, journals, internet sources, articles, and other relevant research. The strategy that MSMEs can carry out is to (1) analyze business needs by identifying business goals, challenges faced, exploitation of opportunities, and technologies required in a relevant way; (2) then after needs analysis, make a clear strategic plan in digital transformation; (3) create a vision of transformation to be achieved and define a specification of business goals as well as a realistic deadline; (4) Identify technology that matches business needs and, most importantly, establish a competent SDM and have a good understanding of digital technology and business. MSMEs has already undergone a process of recovery with the presence of digital transformation, namely MSMEs culinary sector in Kelurahan Jatinegara, East Jakarta. Then the research Simatupang et al., (2023) on MSMEs in the city of Demak that successfully implemented digital transformation in the making of online stores. In the research carried out Telagawathi et al., (2022) against MSMEs at Bali also performed digital transition in the process of increasing revenue.

**Keywords:** Digital Transformation, Income Recovery, Covid-19 Pandemic.

## 1 Introduction

The time of the Covid-19 pandemic has made the world economy unstable and even prone to deterioration. There's a pandemic that has caused almost all business sectors to experience a decline in revenue. According to a survey conducted by Kemnaker in 2020, there are many companies directly affected by the pandemic with 88% of the companies registered. One of the companies most affected is the retail company because there is a decline in market demand, production, and profits that occur to the company. Only 17.8% of firms have dismissed employees, 25.6% have hired their employees, and 10 per cent do both (Pradana, 2022).

Currently, the Indonesian economy has begun to show a recovery process. The Financial Services Authority has assessed the stability of the awake financial system and the intermediation of financial services institutions shows an improvement that contributes to the sustainability of the national economic recovery. Indonesian GDP in Tw II-2022 rose above

expectations at 5.44% (Tw I-2022; 5.01%) driven by increased export consumption growth (Darmansyah, 2022). Corporate growth is one of the most important parts of a business. A well-growing company will produce good corporate performance and value (Syahrial et al., 2020). There is a pandemic of covid that restricts public activity because it is imposed by the government. This led to the beginning of a change in the way a company works, such as the implementation of Work From Home/Teleworking, which became the main choice used by the company. Thus becoming more flexible despite the efficiency of reducing wages and the amount of workforce becoming inevitable obstacles. The problem has also led some companies to start not using physical offices to reduce costs as it has been facilitated by the presence of information and communication technology.

In addition, people are also faced with technological advances when shopping directly given facilities to pay virtually using E-Money, E-Wallet, Internet Banking, M-Banking and so on. So the technological advances are growing rapidly. Implemented technology will facilitate interaction and various activities in the digital arena (Soesilo dan Tampubolon, 2023). Digital transformation is the consequence of an era of disruption, a change in the business model that transforms an existing business ecosystem into a more invasive, complex, and dynamic. This digital transformation can make organizations more efficient and efficient, but it requires considerable effort and cost. However, in the end, digital technology can result in a reduction in the workforce due to cuts in working procedures. This change is inevitable because the conditions of the Covid-19 pandemic force people to be able to understand the conditions and use transactions digitally (Ronggo et al., 2022).

It's not just big companies that impose and leverage the technology that exists today. However, many MSMEs are taking advantage of technological advances by imposing virtual payments. So people don't have to pay cash when they want to shop in person. This is expected to be a good influence for MSMEs. In this case, increasing revenue so that revenue becomes increased and continues to experience post-covid recovery. Digital transformation is anticipated to have a positive impact on corporate revenue recovery in this MSME case. This research aims to analyze the extent to which digitization strategies in the process of revenue Recovery of MSMEs in Indonesia. From the stage of this strategy, many MSMEs have benefited so that the recovery process from Covid-19 has begun to be overcome. MSMEs have already undergone a process of recovery with the presence of digital transformation, namely MSMEs culinary sector in Kelurahan Jatinegara, East Jakarta. Simatupang et al., 2023 at MSMEs in Demak who successfully implemented digital transformation in the making of online stores. In the study carried out by Telagawathi et al., (2022) on MSMEs in Bali also performed digital transformation in the process of increasing revenue.

## **2 Literature Review**

### **2.1 Digital Transformation**

Digital transformation is defined as a transformation related to the changes that can be caused by digital technology in a company's business (Nadkarni and Prügl, 2021). A change cause or influence by the use of digital technology in every aspect of human life (Vassilakopoulou and Hustad, 2023). Revenue can basically reduce the gap between MSME groups. A role to play in increasing revenue is digital transformation (As'adi dan Sularsih, 2022). The implementation of

digital technology to improve service in a business through changing services from manual processes to digital processes or replacing old technology with newer technology digital transformation is. Digital solutions aim to achieve efficient automation and new innovation and creativity. Digital transformation requires organizations to change in a more professional way (Karyani et al., 2021). Digital transformation provides several benefits, namely saving costs, providing a better customer experience, system automation, increasing productivity, and others.

A change driven and built on a foundation of digital technology is digital transformation. The organizational shift towards big data, mobile, analytics platforms, cloud, and social media in an organization is known as digital transformation. Adapt to changing business environments, organizations continue to evolve and change, making radical changes to business procedures, business operations, and value creation. Through digital transformation, organizations can incorporate digital technologies into many aspects of their operations and engage customers through digitization (Susanti et al., 2023)

## **2.2 Income Recovery of MSMEs**

Income is an increase in assets or a decrease in liabilities of an entity arising from the assignment of goods and services or other business activity during a period (As'adi dan Sularsih, 2022). Recovery is a series or process of activities that are carried out to restore the worst conditions to the better by implementing various efforts and strategies.

## **3. Methodology**

This research is a qualitative research which aims to investigate and describe the impact of digital transformation on the recovery of MSMEs income through documents, theoretical basis, and information relevant to the topic. The research is carried out with the literature review based on data from books, journals, Internet sources, articles, and other research relevant to this study. The data collected will be analyzed and further processed using the framework developed so that conclusions can be obtained from the data.

## **4. Discussion**

### **4.1. Developments in Digital Transformation in Income Recovery MSME**

The evolution of digital transformation can be seen from the results of previous research like the research carried out by As'adi dan Sularsih, 2022 stated that digital transformation has a positive impact on MSME income in 24 districts in Pasuruan. This means that a good digitization will make MSMEs better anyway so that the gradual recovery of its financial income will be good. Then Vassilakopoulou and Hustad, 2023 In his research stated that MSMEs needs Digital Transformation in the process of increasing revenue because digital transformation is very important carried out by MSMEs owners due to the availability of digital

transformations then entrepreneurs can determine the goals of digital development on MSMES in the short or long term.

Nowadays, a lot of MSMESs run their business using Internet-based technology. Like marketing through social media, e-commerce even makes websites for business progress. This is because of the very high level of competition. Basically, MSMES's digital transformation has significant benefits (Soesilo dan Tampubolon, 2023). The Director of the Treasury of the Ministry of Finance of RI Astera Primanto Bhakti stated that at present the digital transformation is moving forward very quickly and has changed the paradigm of the global economy and society. A lot of the positive comes from the digital transformation as well as the benefits of digitalization in achieving economic and business goals. Digital transformation is the future of the economy and business.

Although many studies state, digital transformation can influence especially, company performance, financial performance, other studies present the opposite research results because technology requires higher costs, qualified resources, strong culture, and readiness to face various technological changes (Rahawarin et al., 2023). The value of Indonesia's digital industry is currently growing very significantly based on data from the Central Statistics Agency which stated that from \$41 billion in 2019 to \$77 billion in 2022 and is expected to rise again to \$130 billion in 2025. It's assisted by e-commerce, food transportation and delivery, online media and online travel. Based on the research, digital channels evolved very rapidly in customer interaction. The average customer interactions during pandemics were 36 percent smaller than in the post-pandemic period, which is 58 percent, even now at 80 percent. This condition represents an opportunity to be used by MSMES to help accelerate the development of Indonesian business.

#### **4.2. MSME Income Recovery Strategy Through Digital Transformation**

The increasingly global development of technology nowadays encourages people to keep up with its development even if it is forced. When businessmen do not follow the advanced technological developments then it will leave them behind even will lose with MSMES that always keeps up with the advances of technology. Today MSMES is faced with technological advances that force them to undertake digital transformation by doing various business activities by changing marketing strategies in selling products or services using digital technology.

Some MSMES digitization programmes carried out by Bank Indonesia such as e-farming by using digital technology on farms in increasing production capacity and to cost efficiency. Then e-commerce with capacity-building in the process of digital marketing through digital platform for MSMES so that it can be reached by the global market. This MSMES digitization is very well used in increasing revenue considering that in the time of the Covid-19 pandemic then many MSMESs who suffered income management even threatened failed.

The digital transformation strategy is an effective step to harness the potential of digitalization in improving operational efficiency, expanding market reach, and creating customer experience advantages. The steps that can be taken in developing a digital transformation strategy are: (1) analyze business needs by identifying business objectives, challenges faced, exploitation of opportunities, and technologies required in a relevant way; (2) then after a need analysis, make

a clear strategic plan in the Digital Transformation; (3) Create a transformation vision to be achieved and define a realistic business target specification as well as deadlines; (4) Identify technology that matches business needs and, most importantly, establish a competent HR and have a good understanding of digital technology and business (Dwi, 2023).

Several stages of digital transformation in MSMES can be undertaken: (1) understanding digital literacy; (2) planning the resources needed and analyzing the needs of digital consumers; (3) redesigning; (4) preparing budgets; (5) implementing partnerships; and (6) implementing (Hasan et al., 2021). Then another initiative that MSMES can do in the face of the post-Covid-19 digital era is to start building digital solutions like by using gadgets owned such as mobile applications or with many electronic trading platforms available today such as Tokopedia, Shopee, Lazada, Gojek, Bukalapak and so on. It's easy to keep up with the technology because when you can't use it, entrepreneurs can learn by looking at it on the Internet (Bhakti, 2023). Once the use of such digitalization has been implemented properly and to the maximum, then the goods or services offered will be widely distributed globally. So this situation will help the recovery of MSMES's income from the past Covid-19 pandemic. The impact of digitalization on MSMES's increased revenue can be saw from previous research that has been described in this study.

From the stage of this strategy, many MSMESs have benefited so that the recovery process from Covid-19 has begun to be overcome. MSMES has already undergone a process of recovery with the presence of digital transformation, namely MSMES culinary sector in Kelurahan Jatinegara, East Jakarta. Simatupang et al., 2023 at MSMES in Demak who successfully implemented digital transformation in the making of online stores. In the study carried out by Telagawathi et al., (2022) on MSMES in Bali also performed digital transformation in the process of increasing revenue. Combination online and offline marketing methods is the choice of MSME players as a strategy to survive during the Covid-19 pandemic (Kurniawati et al., 2021).

#### **4.3. MSME Income Recovery Strategy Through Digital Transformation**

It is hoped that the digital transformation out carried by MSMEs will have a positive effect on increasing MSME income which will lead to business recovery after the Covid-19 pandemic. The benefits of digital transformation include:

1. Increasing sales, with digitalization can provide opportunities for MSMEs to earn higher income. This is because the wider the reach in marketing that is done, the greater the income that will be obtained. This advantage will also be increasingly supported if business people use social media to market their various products.
2. Increasing range, basically digital transformation is done to change the manual operating system to be fully digital. This was done to meet the needs of customers because traditional product marketing during the Covid-19 pandemic was ineffective and inefficient, resulting in decreased income for MSMEs. With digital transformation, product marketing will become wider and easier to reach.

3. Simplify transactions. When using digital transformation, of course, many people will find it easy to make transactions because the payment process can be made virtual through Mobile Banking, Internet Banking and digital wallets with applications that can be obtained free of charge through official app stores such as the Google Play Store. This digital payment can provide helpful changes for MSMEs.

## 5. Conclusion

This research was carried out with the aim of finding out the revenue recovery strategy of MSMEs with the presence of digital transformation. The start-up that MSMEs can do in the face of the post-Covid-19 digital era is to start building digital solutions such as using gadgets owned such as mobile applications or with many electronic trading platforms available today such as Tokopedia, Shopee, Lazada, Gojek, Bukalapak and so on. The advantages that MSMEs operators can gain in digital transformation include increased sales, increased reach and can facilitate transaction processes. The recovery of MSMEs's revenue after the current Covid-19 pandemic turns out to be one of those affected by digital transformation. The steps that can be taken in developing a digital transformation strategy are: (1) analyze business needs by identifying business objectives, challenges faced, exploitation of opportunities, and technologies required accordingly; (2) then after a need analysis, make a clear strategic plan in the Digital Transformation; (3) Create a transformation vision to be achieved and define a realistic business target specification as well as deadlines; (4) Identify technology that matches business needs and, most importantly, establish a competent SDM and have a good understanding of digital technology and business. Digital transformation provides several benefits, namely saving costs, providing a better customer experience, system automation, increasing productivity, and others. One of the big advantages of digital transformation is simplifying existing operational processes so that they become more effective. also important to build these new operational processes with clear objectives.

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