

Survey on The Use of Digital Innovation for SMEs During the COVID-19 Pandemic in Indonesia

Lutfi Amalia^{1*}, Juhary Ali²

{Lutfiamaliaadel@gmail.com^{1*}, Juhari.ali@aeu.edu.my²}

Student of Doctoral Program of Business Administration, Asia E University Malaysia¹,
Deputy Vice Chancellor of Asia e University, Malaysia²

Abstract. One of ASEAN's most important economies is Indonesia. According to data on Indonesia's GDP (Gross Domestic Product) provided by the ASEAN Secretariat, the country's GDP was US\$ 1.01 trillion, or Rp. 14,837 trillion in 2018. Development of Small, Micro, and Medium Enterprises Unit is one of Indonesia's policies to boost economic growth (SMEs). However, SMEs were the industry most impacted by the Large-Scale Social Restrictions during the COVID-19 epidemic (PSBB). At that time, SMEs had trouble meeting their productivity goals. As a result, the shift from offline to online consumption of public goods and services. Many SMEs continue to grow their operations using conventional technology simultaneously. So, it is clear that there is a need to expand the proportion of SMEs using digital innovation. As a result, the author examines how SMEs in Indonesia use digital innovation to show that advantageous to SMEs' ability to continue producing goods and services.

Keywords: SMEs's Development, Digital Inovation, Indonesia SMEs.

1 Introduction

Indonesia is one of ASEAN's most significant economic activities (Southeast Asia). This is evidenced by the data on Indonesia's GDP (Gross Domestic Product) from the ASEAN Secretariat, which states that in 2018, Indonesia had a GDP of US\$ 1.01 trillion, equivalent to Rp. 14,837 trillion. This is undoubtedly a source of pride for Indonesia because this value beats the economies of other ASEAN countries [1]. ASEAN also announced that Indonesia was a pioneer country that was able to recover from the COVID-19 pandemic. Based on data, Indonesia experienced positive growth of 3.69% in 2021. This growth could occur due to the success of government policies in handling the pandemic and economic recovery [2].

One of the policies of the Indonesian government to increase economic growth is the development of Small, Micro, and Medium Enterprises Units commonly known by the acronym SMEs. Based on the Decree of the Minister of Finance Number 316/KMK.016/1994 dated June 27, 1994, SMEs were categorized as individuals or business entities that have carried out activities/businesses that have sales/turnovers per year of a maximum of

IDR.600,000,000 or assets/assets of a maximum of IDR 600,000,000 (excluding land and buildings occupied), consisting of (1) business fields (Fa, CV, PT, and cooperatives) and (2) individuals (artisans/home industries, farmers, breeders, fishermen, squatters) forest, miners, traders of goods and services). Permana said that UMKM is also an individual business or a small-scale business entity but has certain limitations in terms of the number of workers, the number of sales, the number of assets, and the use of technology that it uses are still traditional. Business management is also simple [3].

The government makes a national economic policy program for SMEs to have easy access to financing by setting the amount of People's Business Credit (KUR) in 2022 at IDR 373.17 trillion. This program aims to improve the quality and productivity of SMEs that can improve the Indonesian economy after the COVID-19 pandemic. SMEs are considered very potential by the government in national economic recovery because SMEs are the most significant contributor to economic growth in Indonesia. Based on data from the Ministry of Cooperatives and SMEs, the number of SMEs currently reaches 64.19 million, with a contribution to PDP in 2020 of 61.97% or worth 8.573.89 trillion rupiahs [4]. In addition, in 2018, SMEs were able to absorb the most significant credit reaching 1 trillion. SMEs can also accommodate a large number of workers, namely 97% of the absorption capacity of the business world in 2020 [4].

However, during the COVID-19 pandemic, SMEs were the sector most affected by the Large-Scale Social Restrictions (PSBB). SMEs had difficulty achieving their productivity targets at that time. So, due to the pattern of consumption of public goods and services that has changed from offline to online. At the same time, many SMEs still develop businesses using traditional technology. According to data from the Ministry of Cooperatives and SMEs, SMEs that have used technology-based technology and digital innovation in their business development is only 26.5% or 17.25 million of the number of SMEs 65 million in 2022 [5].

Digital innovation is transforming everything to unlock value in business processes using data and analytics to create innovative, technology-based experiences that enable business changes to occur dynamically [6]. Digital innovation can also be defined as utilizing digital technology to create or change business processes, operational processes, and customer experiences to create new value [7]. According to [8], digital innovation aims to increase distribution channels or businesses owned to be more digital, getting closer to consumers so that they better understand their desires. In addition, digital innovation can also increase consumer satisfaction. Because sending services or products digitally can motivate them to return to using the products or services that have been produced.

1. Digital innovation also makes it easier for people to carry out activities, for example:
2. Online transportation applications such as grab, gojek, KAI, etc.
3. Online shopping applications such as Tokopedia, Shopee, Bukalapak, etc
4. Applications for consultations in the health sector such as halodoc, alodokter, SehatQ, etc.
5. Applications for conducting electronic transactions through digital money, such as dana, ovo, gopay, etc.
6. Bank Indonesia launched the use of QRIS (Quick Response Code Indonesia Standard) to make the transaction process easier, faster, and more secure.

Therefore, the number of SMEs that have utilized digital innovation in their business certainly needs to be increased so that the acceleration of national economic recovery

continues to increase. The government has also created a Go Digital SMEs program to optimize productivity and foster SMEs that have not yet developed digital innovation to increase competitiveness. Thus, the author wants to survey the use of digital innovation by SMEs actors to prove that the use of digital innovation is indeed important and has benefits for the continuity of SMEs productivity in Indonesia during the COVID-19 pandemic.

2 Methods

This research is a quantitative research using the descriptive survey method. Surveys are used to obtain data from specific natural populations. The author collects data by distributing questionnaires where the author does not provide treatment as in the experiment. This study discusses a survey on the use of digital innovation for SMEs during the COVID-19 pandemic. The population in this study was 400 participants of English training for tourism villages from Bahaso and Bakti KOMINFO. At the same time, the sample taken in this study is devoted to the criteria for participants who work as SMEs actors. So the number of samples in this study was 75 people.

The author uses the calculation of data analysis using a dikonomis scale in which there are two types of question-answer scores, namely 1) Yes answers will be given a score of 1; and 2) the answer will not be given a score of 0. Therefore, the categorization of data analysis criteria to prove that digital innovation is indeed important and has benefits for the survival of SMEs productivity in Indonesia during the covid-19 pandemic is determined using the interval scale attached in the table. 1.

Table 1. Interval scale of survey analysis data results

No	Interval value (%)	Criteria
1	< 30	Very bad
2	30-50	Poor
3	50-70	Good
4	>70	Very good

Suppose the survey data results are more than 70%. In that case, it can be said that using digital innovation for SMEs during the COVID-19 pandemic is reasonable and indeed necessary because it benefits the continuity of SME productivity. Thus, the use of digital innovation for SMEs needs to be developed, and increased literacy regarding the use of digital innovation through the Go Digital SME government program and guidance in promoting SME businesses that utilize digital innovation.

Suppose the survey data results have an interval value of 50-70%. In that case, it can be said that the use of digital innovation for SMEs during the COVID-19 pandemic is actually essential, but in practice, for SMEs, it is still not optimal. So it is necessary to increase literacy regarding the use of digital innovation. However, if the results of the survey data are 50% or even less, it can be said that the use of digital innovation for SMEs is not good, so it is necessary to conduct studies related to several things, namely

- a. the implementation of the Go Digital SMEs government program,
- b. literacy on the use of digital innovation, and

- c. strategies carried out by SMEs related to the actual practice of utilizing digital innovation for business development.

3 Result and Discussion

This study has 75 respondents with professional criteria as SMEs actors. Respondents in this study were divided into two gender categories, namely male and female. Female respondents have more numbers than males, namely 41 people or 55% of the total 75 respondents. The remaining 34 people, or 45%, are male respondents.

Table. 2 Frequency distribution of respondents by gender

No	Gender	Frequency	%
1	Female	41	55
2	Male	34	45
	Amount	75	100

The age of the respondents in this study was classified into five scales, namely 1) an age scale of fewer than 17 years; 2) an 18-25 years age scale; 3) an age scale of 26 – 35 years; 4) age scale 34 – 41 years; and 5) an age scale that is more than 41 years. Respondents in this study have the results of the classification of the age scale of 26 – 33 years, and the age scale > 41 years has a more significant number than the other age scales, each as many as 24 people or 32% of the total 75 respondents.

Table. 3 Frequency distribution of respondents based on the age scale

No	Age	Frequency	%
1	< 17th	0	0
2	18th – 25th	8	10,7
3	26th – 33th	24	32
4	34th – 41th	19	25,3
5	>41th	24	32
	Amount	75	100

There are 12 types of UMK industries owned by respondents, namely 1) Culinary/Food & Beverage (F&B); 2) Fashion/ Garment; 3) Agribusiness; 4) Creative products (handicrafts/art services & multimedia); 5) Event organizers; 6) Tours & Travels; 7) Automotive; 8) Education; 9) Telecommunications; 10) Beauty and cosmetics; 11) Health; and 12) Electrical equipment. The type of SMEs industry owned by most respondents has the type of Culinary / Food & Beverages (F&B) industry, as many as 30 people or 40% of the total 75 respondents. In addition, the type of industry that respondents at least own is the telecommunications, health, and electrical equipment industry, each of which has a frequency value of 1 person or 1% of the total 75 respondents.

Table. 4 Frequency distribution of respondents by type of industry

No	Industry	Frequency	%
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1	Culinary/Food & Beverage (F&B)	30	40
2	Fashion/ garment	9	12
3	Agribusiness	10	13
4	Creative products (handicrafts/art services & multimedia);	8	11
5	Event organizers	2	3
6	Tours & Travels	3	4
7	Automotive	3	4
8	Education	4	5
9	Telecommunications	1	1
10	Beauty and cosmetics	3	4
11	Health	1	1
12	Electrical equipment	1	1
	Amount	75	100

This study's SMEs respondents had a monthly turnover of less than Rp. 50,000,000, namely 64 people or 85.3% of the total 75 respondents. While the respondents who have a monthly turnover on a scale of IDR 50,000,000 – 300,000,000 are eight people or 10.7% of the total 75 respondents. The total number of respondents with a monthly turnover of more than Rp. 300,000,000 has the least number, namely three people or 4% of the total 75 respondents.

Table. 5 Frequency of distribution of respondents based on the scale of turnover per month

No	Turnover per month	Frequency	%
1	< 50,000,000	64	85,3
2	50,000,000 – 300,000,000	8	10,7
3	>300,000,000	3	4
	Amount	75	100

In this study, respondents who have the profession of SMEs still have not marketed their products abroad. Because based on the survey results stated that as many as 70 people, or 93.3% of the total 75 respondents, have not exported their products abroad. Meanwhile, 5 people, or 6.7% of the 75 respondents, have exported their products abroad. The export destination countries for five respondents who have already carried out export activities are ASEAN countries such as Singapore, Malaysia, and Vietnam. In addition, respondents also export to Hong Kong, Japan, and European countries.

Table. 6 Frequency of distribution of respondents based on export activities

No	Activity	Frequency	%
1	Doing export	70	93,3
2	Haven't exported yet	5	6,7
	Amount	75	100

Based on the results of a survey regarding the impact of the COVID-19 pandemic on its effect on the businesses owned by respondents, as many as 57 people, or 76% of the total 75 respondents, said that the COVID-19 pandemic period had a significant impact because sales turnover decreased under these conditions. At the same time, the remaining 18 people, or 24% of the total 75 respondents, said that the COVID-19 pandemic did not affect sales of business products/services. This is due to the type of

industry owned by the respondent, namely the culinary industry/food & beverages, education, agribusiness, and creative products (handy craft/arts & multimedia services), where the results of these products and services continue to be in demand by consumers.

For example, the culinary / food & beverage industry is in demand because it is a product/service that is included in the primary needs of the community. Then the existence of Large-Scale Social Restrictions during the Covid-19 period increased productivity in the Education industry because teaching and learning activities were carried out online. The existence of a sense of saturation of people who have to stay at home encourages people to do productive activities at home, such as doing a hobby of farming or making handicrafts.

Table. 7 Frequency of distribution of respondents based on the impact of the COVID-19 pandemic

No	Impact of the COVID-19 pandemic	Frequency	%
1	Yes	57	76
2	No	18	24
	Amount	75	100

The total range for the decline in turnover during the COVID-19 pandemic for respondents is divided into four scales, namely 1) a scale of less than 30%; 2) a scale of 30 – 50%; 3) a scale of 50 – 70% and 4) a scale of more than 70%. Based on the data results, the range of decline in turnover experienced by most respondents is on a scale of 50-70% experienced by 19 people or 33% of the total 75 respondents. In contrast, a minor scale of decline is in the category of a scale range of more than 70% experienced by 6 people or 11% of the total 57 respondents. The remaining 17 people, or 30% of the total 57 respondents, experienced a decrease in turnover with a scale of less than 30%. Then as many as 15 people, or 26%, experienced a turnover decrease with a value of 30-50%. As many as 6 people, or 11% of 57 respondents, experienced a decrease in turnover with a value of more than 70%.

Table. 8 Frequency of distribution of respondents based on the scale of decreasing turnover

No	The scale of decreasing turnover	Frequency	%
1	< 30	17	30
2	30-50	15	26
3	50-70	19	33
4	>70	6	11
	Amount	57	100

The survey results regarding the use of digital-based technology to SMEs to support business promotion when there was no COVID-19 pandemic showed that as many as 57 people, or 76% said they had sustainably used digital-based technology by utilizing digital innovation. While the remaining 18 people, or 24% of the total 75 respondents, still do not want to use sustainable digital-based technology by utilizing digital innovation. So this data can validate data from the government, which says that many SMEs actors still use the management of business promotion activities traditionally and do not want to go online to take advantage of digital innovation to increase their business productivity. Thus, socialization related to literacy and fostering the use of digital-based technology needs to be improved so that all respondents can participate in Go Digital and take advantage of digital innovation in promoting their businesses.

Table. 9.

Frequency of distribution of respondents based on the sustainable use of digital-based technology

by utilizing digital innovation			
No	The sustainable use of digital-based technology by utilizing digital innovation	Frequency	%
1	Already	57	76
2	Not yet	18	24
	Amount	75	100

Then the use of digital innovations used by respondents who are already able to use digital-based technology that aims to increase sales turnover during the Covid-19 pandemic is divided into four classifications, namely

- a. using social media marketing,
- b. registering as a business partner in e-commerce (Shopee/Tokopedia/Blibli/Etc.),
- c. register as a business partner in a technology-based startup (Gojek/Grab/Shopee), and
- d. create their marketing media.

Survey data from 57 respondents who have used digital technology to support business promotion shows that some of the 57 respondents have used digital innovation in more than one classification. The results of the data are: 1) All respondents use 1 classification of digital innovation using only social media marketing, 2) 28 people out of a total of 57 respondents use 2 classifications of digital innovation using social media marketing and register as business partners in e-commerce (Shopee/Tokopedia/Blibli/etc); 3) as many as 14 people from a total of 57 respondents using 3 classifications of digital marketing innovation using social media marketing, registering as business partners in e-commerce (Shopee/Tokopedia/Blibli/etc) and increasing the use of digital innovation classifications by registering as business partners at technology-based startups (Gojek/Grab/Shopee); and 4) as many as 14 people out of a total of 57 respondents using 4 classifications of utilizing digital innovation by using social media marketing, registering as a business partner in e-commerce (Shopee/Tokopedia/Blibli/etc), increasing the use of digital innovation classification by registering as a business partner in technology-based startups (Gojek/Grab/Shopee) and create their own marketing media.

Table. 10 Frequency distribution of respondents based on the classification of the use of digital innovation

No	digital innovation using only social media marketing	register as business partners in e-commerce (Shopee/Tokopedia/Blibli/etc)	by registering as business partners at technology-based startups (Gojek/Grab/Shop ee)	create their own marketing media	Frequency	%
1	√				57	76
2	√	√			28	37,3
3	√	√	√		14	18,7
4	√	√	√	√	14	18,7

The survey results are for respondents who make their marketing media using the mixed media method, which in this case uses a combination of the use of digital-based technology media and the use of digital innovation with traditional marketing methods. For

example, by carrying out the traditional marketing technique of canvassing sales in which respondents promote directly to consumers by making supporting marketing media such as flyers and brochures; and creating a reseller community to add to the sales network.

The author also provides a survey on the success rate of digital innovation in conducting business marketing during the covid-19 pandemic. The data shows that as many as 66 people, or 88% of the total 75 respondents, said that digital innovation positively impacts the businesses owned by respondents. The remaining 9 people, or 12% of the total 75 respondents, felt that the use of digital innovation had no impact on the business development of the respondents.

Table 11. Frequency of distribution of respondents based on the impact of successful use of digital innovation

No	the impact of successful use of digital innovation	Frequency	%
1	positively impacts	66	88
2	no impact	9	12
	Amount	75	100

If the results of the survey data are in the table Table. 9 regarding the frequency of distribution of respondents based on the sustainable use of digital-based technology by utilizing digital innovation, which shows that only 57 people have utilized digital innovation out of a total of 75 respondents. However, the data in Table 11. regarding the frequency of distribution of respondents based on the impact of successful use of digital innovation has a total of 66 people who feel a positive impact. So there is a difference of 9 respondents who have been categorized as not using digital innovation but say that the use of digital innovation has an impact on business development. This is due to the existing knowledge possessed by respondents regarding the benefits of digital innovation. However, these respondents feel that the practice of utilizing digital innovation is challenging in practice. There are even respondents who also say that the use of digital innovation hampers operational processes and business development for respondents.

- a. After further research, the authors get supporting data that the things that cause respondents not to be able to feel the results of the use of digital innovation caused by 3 inhibiting factors, such as
- b. factors due to lack of literacy about the use of digital innovation for respondents;
- c. The factor of implementing the use of digital innovation, which is carried out only once because respondents find it challenging to practice using digital innovation; and
- d. Other inhibiting factors when respondents apply traditional marketing strategies that are less precise and less effective, for example, in implementing strategies in reseller community management owned by respondents that are less precise and less effective.

Because the respondents said that the image of the business they have is not good in the digital world's public space, many resellers promote the respondent's goods/services at a high price and exceed the standard selling price owned by the respondent. Thus, the turnover that respondents have is decreasing due to the issue of consumer distrust of retail prices imposed by the reseller community of the respondents. In addition, according to respondents who feel

that the use of digital innovation has had a positive impact on their business, they said that several things have a positive impact on the business, namely; (a) sales have increased so that they have additional employees, get the highest reach of consumers who buy goods/services; (b) facilitate transactions because they are done online, so consumers can make transactions anytime and anywhere; (c) the brand name/trademark becomes better known by the public, and (d) respondents can carry out sustainable promotions online at a lower cost.

The author also surveyed the increasing number of respondents' turnover after using digital innovation for 57 respondents who had used digital innovation for their business. The author divides the range of the turnover increase scale into four scales, namely 1) a scale of less than 30%; 2) a scale of 30 – 50%, 3) a scale of 50 – 70%, and 4) a scale of more than 70%. Based on the results of the data, the range of increase in turnover experienced by most respondents is on a scale of 30-50% that as many as 28 people, or 49% of the total 57 respondents, have an increase in turnover on a scale of 30-50% per month after utilizing digital innovation. Meanwhile, respondents who experienced an increase with a scale of less than 30% had 21 people, or 37% of the total 57 respondents. The scale of the 50-70% increase in turnover by 6 people or 11% of the total 57 respondents. Then as many as 2 people, or 4% of the total 57 respondents, experienced an increase with a scale of more than 70%.

Table 12. Frequency distribution of respondents based on the scale of increasing turnover

No	the scale of increasing turnover (%)	Frequency	%
1	<30	21	37
2	30-50	28	49
3	50-70	6	11
4	>70	2	4
	Amount	57	100

4 Conclusion

Based on the survey data, this research concludes that as many as 66 people, or 88% of the total 75 respondents, have felt a positive impact on the use of digital innovation. However, only 57 people, or 76% of the 75 respondents, have utilized digital innovation. The remaining 18 people, or 24%, have not used digital innovation. This is caused by several factors, namely 1) lack of socialization/literacy regarding the use of digital innovation; 2) lack of training related to the use of digital innovation because some respondents said it was difficult to practice the use of digital innovation, and 3) other inhibiting factors in the respondent's environment. For example, respondents applied an inappropriate strategy when implementing a combination of methods of marketing activities in traditional business development and utilizing digital innovation.

Thus, the survey data results have an average value of 82%, which is calculated based on respondents who have felt a positive impact on the use of digital innovation with data from respondents who have consistently used digital innovation. The average value of 82% has an excellent data analysis interval value. So that the use of digital innovation for SMEs during the COVID-19 pandemic is essential to improve literacy so that more SMEs can increase competitiveness during the Covid-19 pandemic so that the level of the national economy also continues to increase.

Therefore, research on the use of digital innovation for SMEs is highly recommended to be researched on an ongoing basis so that further researchers can find out the effect of using digital innovation for SMEs business development in the future.

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