

# Utilizing Micro, Small and Medium Enterprises Business Applications and Communication in Digital Technology in The Time of Covid 19

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**Abstract.** The study to analyze about impact of the era pandemic on micro and macro a company business in Indonesia. In general this study using descriptive qualitative method. The business world is changing since pandemic era seen by turnover from micro, small and medium enterprises has decreased significantly. Some of the most affected the business word are accommodation, tourism, food and beverage providers, big party or retail trade, motorcycle repair, transportation and trade. Most small, medium and micro-businesses are unable to thrive and many people end up going bankrupt. Therefore, micro, small and medium enterprises actors have changed their sales strategy through a digital plan. Digital solutions are based on the use of marketplaces (middlemen) and the use of social networks as marketing techniques. Therefore, the plan to develop digital micro, small and medium enterprises can be an alternative to saving business actors during the Covid-19 pandemic.

**Keywords:** Covid pandemic, digital micro, small and medium enterprises, and Communication.

## 1 Introduction

The spread of the corona virus in Indonesia was first detected around the beginning of 2020. This virus does not take long because 34 provinces have been affected by the outbreak, such as East Java, DKI Jakarta, and South Sulawesi, which are the most exposed provinces. Preventive efforts were immediately carried out by the government to all people like to avoiding a crowd, stay at home, washing hand as often as possible. one of the efforts that had the greatest impact was implemented Large-Scale Social Restrictions (PSBB) with the Implementation of Restrictions on Community Activities (PPKM). The MSME sector was also badly affected with it. According the data of Ministry of Cooperatives showing that 1,785 cooperatives and 163,713 Micro, Small & Medium Enterprises (MSMEs) were influenced by this pandemic [1].

Food and beverage is the most affected sector based on data from the Ministry of Cooperatives & MSMEs. According to MSME entrepreneurs, there was a decline in sales, a reduction in capital and the distribution process was disrupted. As many as 39.9% of MSMEs must dare to take decisions to reduce the amount of inventory or even reduce production when the Government implements PPKM, while 16.1% of MSMEs also reluctantly have to reduce the number of employees due to their declining capital capabilities. In Indonesia, MSMEs have a fairly important role, including in terms of opening up job opportunities and MSMEs can also be a forum for low-income people to be able to carry out productive economic activities. In facing the Industrial 4.0 era in Indonesia, the role of MSMEs is very important in increasing GDP (Gross Domestic Income) before this pandemic occurs. However, after this pandemic occurred, MSMEs were also affected. The micro, small and medium enterprises sector which was shaken during the COVID-19 pandemic, apart from food & beverage, were also affected by the creative and agricultural industries.

The use of digital platforms by business actors in Indonesia is increasing rapidly, as evidenced by 42% of business actors who use online media in conducting transactions. Online media is considered a forum for entrepreneurship development and the key to business sustainability [2]. McKinsey data shows that there was a 26% increase in sales through e-commerce with a total of 3.1 million transactions per day [3]. This pandemic period encourages

business actors to take advantage of digital platforms and online media to increase their income, it can be further seen that the business actors who have managed to survive are those who are always ready to adapt to changes such as changes in selling using digital systems.

However, micro business actors also have obstacles, namely obstacles in providing production goods, obstacles in preparing competitiveness with large companies that also use digital systems. To develop digital SMEs, several things must be considered, such as production quality, production capacity or quantity and understanding of digitalization. These things need to be considered so that MSMEs can last a long time. Furthermore, it is no less important about the concept of customer loyalty which in fact millennials can be used as a means to increase income by involving them as resellers of our business so that they can influence other customers to buy our products. The Ministry of Communication and Informatics (KOMINFO), which is an arm of the government, has just issued the Digital Micro, Small and Medium Business Training Program as evidence of support in the development of MSMEs so that business actors can switch to a digital system in doing business because in 2021 the Coordinating Ministry The Maritime and Investment Sector hopes to have 30 million micro, small and medium enterprises in line with a total of 60 million micro business units. Small and medium enterprises that can enter the digital ecosystem even though based on existing records, only about 11 million to 12 million micro, small and medium enterprises use digital platforms to sell, so there are still other opportunities to take advantage of digital platforms to sell. The most important part is the restoration of digital infrastructure because this section is an important part in developing micro, small and medium enterprises in addition to other support in the form of the Job Creation Law which is considered to be in favor of micro, small and medium enterprises. Restoration of digital infrastructure must be carried out immediately considering that in the future people will have to love local products more [4].

All aspects are affected including the use of information and communication technology. The PKKM regulations given by the government make everyone uncomfortable because they are not used to dealing with the changes that occur, they are still awkward using technology in daily activities which must have obstacles in the process, are not used to going to school using technology, are not used to working with technology, we are not used to it. selling with technology and others, but all must be willing to do it so we must be willing to embrace existing technology to face this pandemic era.

## **2 Literature Review**

COVID-19 is a global epidemic, starting from the city of Wuhan, Hubei Province, China, which was affected and then spreading throughout the world. Further developments of Covid-19 will not only harm the regions and countries affected by Covid-19 but will also have an impact on other regions and countries due to interrelated economic value chains. [5] stated that this virus is not only detrimental to health factors but also to the economies of countries in the world, including Indonesia. Several journals and reports openly state that the lockdown policy will directly reduce or even stop various community activities, students and workers, stop the production process, stop all transportation flows, investment activity slowed down and there was a decline in the financial, banking and export-import sectors by 2% from the position of 6% before this pandemic occurred. In other words, the world economy is slowing down and all of this is affecting the business world.

Digital transformation must be encouraged as an effort to save the micro, small and medium business sector at a time like this which has indirectly created diversity in entrepreneurship using digital systems. Trading using digital systems is a business system that mostly uses advanced technology starting from input, process to output or it can be interpreted that all types of businesses that use websites, online media and applications are included in the digital entrepreneurship category. It can be interpreted that digital entrepreneurship has a positive contribution to strengthening the Indonesian economy as seen from the increasingly strengthening role of technology in the global business world. Digital technology has changed the entire character or nature of the entrepreneurship model from conventional to modern (digital-based) [6], moreover, the existence of online media will open up new business opportunities for the community to develop a digital entrepreneurship model. In general, the

term "technology" is defined as the convenience obtained from the application of knowledge in running an industry such as creating tools, developing skills, solving problems and others while the term "entrepreneur" is defined as a person or group who creates a business independently to get opportunities which exists. This phenomenon further strengthens that there will be many opportunities for people to start entrepreneurship, especially business actors.

This can be seen from the convenience & comfort offered. However, behind the convenience offered by business people who choose digital entrepreneurship, they must have creative and innovative ideas and be willing to cooperate with many parties such as digital entrepreneurs or content creators, training institutions, stakeholders, and authorities. Based on the research of Chayapa & Cheng Lu [7] there are factors that can be considered in making indirect or online purchases such as

1. Convenience, a situation where people feel comfortable and safe in shopping because they do not need to come directly to the shopping center.
2. Complete information. This factor makes it easier for some people to get information quickly and easily, coupled with the many platforms that provide various features that review products and their quality.
3. Capacity of goods and services, a condition where the public can easily find out information on the amount of goods available at any time.
4. Cost and Time Efficiency. This factor makes it easy for the public to obtain information about the best prices in other stores.

In other words, online shopping is an example of the application of the use of digital systems in entrepreneurship so as to build a new ecosystem for micro, small and medium enterprises. This system is also convincing for micro, small and medium businesses to continue to use technology in selling because consumers can shop anytime and anywhere. This opportunity, if exploited by micro, small and medium enterprises, can be an opportunity to compete in the international arena.

### **3 Methodology and Data Analysis**

This research uses descriptive qualitative method and secondary data. The selection of secondary data is because it can be easily obtained while descriptive qualitative is a method where researchers describe the conditions observed in the field more specifically, transparently, and in depth.

### **4 Research Result and Discussion**

#### **SME Industry and Covid-19**

The slowing pace of the global economy is already visible. Many business actors choose to leave the business or temporarily close their business due to declining income. Micro, small and medium business actors experienced a drastic decrease in income due to the implementation of PKKM by the authority to suppress growth of this virus without realizing that all ongoing business activities will have an effect and will ultimately affect the economy. Economic activity will decrease because consumers reduce direct activity in buying and selling transactions. This also has an impact on buying and selling in the manufacturing and tourism industries. The tourism industry has also experienced a decline. Ida Bagus Agung Partha Adnyana, chairman of the Bali Tourism Board (BTB), Indonesia Tourism Industry Association (GIPI), said that there were 40,000 inns that failed to earn a profit of IDR 1 trillion every month [8]. Based on P2E LIPI data, the tourism industry has decreased starting from micro-enterprises reached 27%, small businesses reached 1.77%, and medium-sized enterprises reached 27%. 0.07%. The wood and rattan furniture industry has also been affected by the Covid-19 virus, each with various percentages starting from micro businesses at 17.03%, small businesses at 1.77% and medium businesses at 0.01%. Meanwhile, the home industry also experienced a decline of between 0.5% and 0.8% [9]. In fact, it must be realized that the economic progress of a country is very dependent on the strength of micro, small and medium enterprises when facing this prolonged crisis.

Although it is known that digital entrepreneurship is resilient in the face of the economic crisis, it turns out that according to the General Chairperson of the Indonesian Micro, Small and Medium Enterprises Association (Akumindo) Ikhwan Ingrabatun, there are sectors that do not benefit from digital transactions because sales of these products rely on face-to-face physical transactions or meetings directly between entrepreneurs and consumers. The sector in question is the non-culinary zone sector which refers to foreign tourists, it is estimated that the turnover of micro, small and medium enterprises has sunk by 3035% since Covid-19. This pandemic has caused a slump in all sectors, both the formal and informal sectors, it has been recorded that more than 1.5 million workers have become unemployed due to being laid off

### **Business Can Survive**

The businesses who can survive this pandemic are business actors who are already connected to the digital ecosystem that utilize the marketplace in Indonesia, actors who can create and adapt their business with innovative products such as bag sellers and retailers clothing that also sells cloth masks or hand sanitizers, while other industries that have survived the COVID-19 pandemic are industries related to meeting basic needs such as electricity, clean water, agriculture, plantations, fisheries, automotive, and banking. Basically most of the industrial sectors take advantage of sales through digital marketing.

### **Digital Economy Ecosystem**

Micro, small and medium enterprises have various challenges in the use of the entrepreneurial ratio which has only reached 3.5% so that the increasing quality of MSMEs is an important thing that must be considered to create a strong Indonesian economy, as it is known that MSMEs have an important role in it. If you look at past experiences during the economic crisis in Indonesia, MSMEs became one of the pillars of the Indonesian economy and during the pandemic it must be admitted that the MSME sector was relatively sluggish so that the actors had to have digital transformation tactics in order to survive. [10] stated that only 45% of MSMEs were only able to survive for three months and the rest were unable to survive during this Covid-19 pandemic.

Therefore, the Ministry of Cooperatives & Small and Medium Enterprises (Kemenkop UKM) invites young innovators to support the MSME digitization program through the MSME Digital Hero event as a way to develop digital MSMEs. This program is useful for MSME actors to survive during this pandemic, helping them to gain profits by using the support of the digital ecosystem because so far there have only been around 10-11 million MSMEs using the system. Below are four strategies for disseminating the use of n SME digitization by the Kemenkop UKM such as;

**First**, improving the ability of human resources, the quality of human resources is important in the use of digitization so that MSME actors will no longer be constrained by knowledge in using digitalization systems and online media [2]. **Second**, improve financial literacy skills for MSME actors to manage their business units, including making books or financial reports. It is noted that there are still many MSME financial reports which are considered to be less in accordance with the established standards [11]. **Third**, broad market access that utilizes the role of the Government Goods/Services Procurement Policy Agency (LKPP) so that MSME actors can become producers. **Fourth**, love local MSME products. MSME actors can create a creative and valuable product using a digital platform which in the end can become a selling point to easily penetrate the international (export) market. Handling in times like this, mitigation & recovery solutions are needed by encouraging the number of requests and encouraging digital platforms to expand partnerships, which is no less important is collaboration in utilizing innovation & technology from the beginning of the process until the product is well received by consumers [12]. All these must continue to be implemented by the Ministry of Cooperatives & SMEs during the current Covid-19 pandemic.

Another strategy that is no less important is to encourage parties such as stakeholders, corporations, universities and others to be able to cooperate with MSMEs so that they can immediately carry out digital transformation so that it will give birth to young creators who will enliven MSMEs in Indonesia.

### **The Urgency of Creative Content**

Creative content is an important thing that must exist in the development of digital-based SMEs to be able to compete in the digital era. Several studies state that creative content can have a big effect on attracting consumers' attention [13]. Business actors must create creative content in marketing their products digitally so that the resulting products can be accepted by the market so that their business can continue to run in times like this.

Creating creative content is not easy, it takes skill in stringing words, cleverness in packaging and marketing products so that the products & services offered have attractive value for consumers besides having expertise in photography techniques can make merchandise look more attractive when distributed on online media. . It was found in several studies that video and photography techniques have a higher appeal [14]. Business actors must be given training in creating creative content such as making good branding, logos and packaging to attract consumers to make purchases online or offline [15].

## **5 Implication and Suggestion for Future Research**

Government regulations for PKKM in suppressing the spread of COVID-19 have had a major impact on micro, small and medium enterprises, many businesses were forced to close, many unemployed due to being laid off because the company did not have sufficient income to pay salaries. Not only that, the imposition of restrictions on community activities has an impact on the manufacturing industry and the tourism industry which has experienced a decline. This situation is very sad, considering the many industries that are affected. Whereas the economic progress of a country is very dependent on the strength of MSMEs to survive in the face of a crisis.

Although it is known that digital entrepreneurship provides benefits for only micro, small and medium enterprises, this does not apply to non-culinary industries such as the tourism industry which has fallen by 3035% since Covid-19 because not all product sales can be successful through digital techniques, there are industries who still have to rely on face-to-face or physical sales between entrepreneurs and consumers.

Micro, small, and medium enterprises who can survive in the midst of the COVID-19 climate are business actors who are already connected to the digital ecosystem that utilize the marketplace in Indonesia, actors who can create and adapt their business with innovative products such as bag and clothing sellers who also penetrated by selling cloth masks or hand sanitizers, while other industries that survived the COVID-19 pandemic were industries related to meeting basic needs such as electricity, clean water, agriculture, plantations, fisheries, automotive, and banking. Basically most of the industrial sectors take advantage of sales through digital marketing.

In selling using digital marketing, creative content is needed to attract high consumer attention. Creative content is an important thing that must exist in the development of digital-based SMEs in order to compete in the digital era. In using social media as a transaction tool, content is a mandatory thing that must exist in order to attract consumers and achieve big profits in the pandemic era so that MSME business actors have to compete in creating creative content that is different from others to get a competitive advantage. All business actors must continue to innovate in utilizing digital marketing techniques to deal with this long pandemic.

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