

The Impact of Digital Economy Development and Its Effect on the Income of Micro, Small and Medium Enterprises Actors

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ABSTRACT

This research was conducted with the aim of knowing how the impact of the development of the Digital Economy and its influence on the income of MSME Business Actors in Makassar City. The research method used is descriptive qualitative research, the way data is collected is through observation, interviews, questionnaires and documentation. The informants in this study were MSME business actors in Makassar City, totaling 96 entrepreneurs as research objects. The results of this study indicate a positive and significant effect of the digital economy on the income of MSME business actors in Makassar City. While the factors that support and hinder the MSME sector in the perspective of the digital economy are the ability to know the use of technological media which is a supporting indicator of the success of the digital economy. The development of the digital economy is an important factor in the success of a business, therefore it is necessary to increase knowledge about the digital economy for business actors so that in running their business there is an increase in terms of allocating good income for future businesses and also by better mastering emerging digital technology in order to attract customers from various regions and be more efficient in promoting their products.

Keywords: digital economy, Income of MSME

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1. INTRODUCTION

The development of the digital economy has become a dominant trend in the business world, fundamentally changing the way businesses around the world operate. In the midst of the information technology revolution, e-commerce platforms, and increasingly strong global connectivity, the impact has also penetrated the micro, small and medium enterprise (MSME) sector. The occurrence of competition in the business world is inevitable, given the number of business actors. In fact, the competition is getting tougher by the day. Simply put, no product/service is marketed without passing through the competitive arena in the digital economy era. The digital economy is transforming the global economy, enabling small industries to become micro-multinational industries with their elasticity and dynamism (Parente et al., 2018). This gives start-ups a higher chance of being born globally, digitalization drives competition as it enables innovative business models and allows companies to scale up quickly. Small and medium-sized companies around the world have turned into exporters and joined the e-commerce market (Ueasangkomsate, 2015), and can compete with the largest multinational companies (Kotabe & Kothari, 2016).

Micro, small, and medium enterprises play a vital role in economic development and growth, not only in developing countries such as Indonesia but also in developed countries. In Indonesia, apart from playing a role in development and economic growth, MSMEs also have a very important role in overcoming the problem of unemployment (Arifin et al., 2021; Prasetyo,

2021). The growth of micro-enterprises makes them a source of growth in employment opportunities and income. The number of Micro, Small and Medium Enterprises in South Sulawesi Province alone at the end of 2019 had reached 916,232 business units. For example, as is currently happening in Makassar City, which is the capital city of South Sulawesi Province, MSMEs in Makassar City engaged in various industries have always recorded high growth in recent years. Referring to data from the Makassar City Cooperative and SME Office, the number of MSME players so far is 2,683 engaged in various sectors.

Table 1. Data on the condition of MSMEs in Makassar City

NO.	KECAMATAN	QUANTITY
1	Tallo	45
2	Wajo	25
3	Tamalate	157
4	Mariso	517
5	Mamajang	81
6	Tamalanrea	25
7	Bontoala	381
8	Panakkukang	176
9	Ujung pandang	354
10	Makassar	149
11	Manggala	312
12	Ujung tanah	8
13	Rappocini	385
14	Biringkayana	63
15	Sangkarrang	5
Total		2683

The above conditions will continue to develop so that it is estimated that until the end of 2022 the number of MSME players in Makassar City will continue to grow. One of the digital economic activities that is currently developing in Makassar City is the use of internet-based social media or commonly known as online trading. Where MSME business actors in Makassar City promote their products through the internet as a communication tool that is in great demand by the public, with the existence of social media, MSME entrepreneurs can also utilize their smartphones as a medium to promote their products so that they can be recognized by the wider community. Many in social media now as we often see, one of which is the Makassar dagang group in the Facebook application is a place for entrepreneurs to promote their products both in terms of food, fashion and others. To date, the Makassar dagang group itself is followed by 1,400,000 users offering different products.

Digital Economy focuses more on the process of buying and selling or transactions and markets that occur in cyberspace / internet. The digital economy is a complex economic system and is an emerging phenomenon related to aspects of microeconomics, macroeconomics, and organizational and administrative theory. Digital economy is defined as "the virtual arena in which business is actually conducted, value is created and exchanged, transactions occur, and one-to-one relationships mature by using any internet initiative as a medium of exchange" (Ameliyani & Iryani, 2022). The digital economy is changing the global economy, allowing small industries to become micro-industries with their elasticity and dynamism. It provides higher opportunities for startups to be born globally. The concept of digital economy is characterized as an intelligent space, including information, various access to information instruments, information capacity and information processing. The first components of the digital economy are the ICT industry, ecommerce activities, digital distribution of goods and services.

Citing the China G20 Report, the notion of digital economy refers to various economic activities, which include the use of digital information and knowledge as a key factor of

production, modern information networks as an important activity space and the effective use of Information and Communication Technology (ICT) as an important driver of productivity growth and economic structural optimization (Guo et al., 2017). In this context, the understanding of the digital economy has become broader, characterized by the existence of modern networks and the use of ICT. Thus what is meant by the digital economy is the interest, attitudes and abilities of individuals in using digital technology and communication tools such as smartphones, tablets, laptops and desktop PCs to access, manage, integrate, analyze, evaluate information, build new knowledge, create and communicate with others in order to participate effectively in society.

Meanwhile, income is a result received by a person or household from trying or working. There are various types of people, such as farming, fishing, animal husbandry, labor, and trade and also work in the government and private sectors. Income according to economics is defined as the maximum value that can be consumed by a person in one period as it was before (Schumpeter & Swedberg, 2021). This definition emphasizes the total quantitative expenditure on consumption during one period. In other words, income is the sum of wealth at the beginning of the period plus all the results obtained during one period, not just what is consumed. Broadly speaking, income is defined as the amount of assets at the beginning of the period plus changes in valuation that are not due to changes in capital and debt (Givoly et al., 2017). The conclusion from the definition of income is a result received by a person, company or household from trying or working in the form of money or goods received or produced within a certain period of time.

Based on Law No.20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs), the business world in Indonesia is divided into micro, small, medium and large enterprises (Maksum et al., 2020). Micro-enterprises are definitively individually owned businesses while large enterprises are businesses that are larger than medium-sized enterprises. Law No.20 of 2008 also states that the existence of MSMEs and their management by the government are intended to grow and develop their businesses in the context of building a national economy based on equitable economic democracy, including: 1) Realizing a balanced, developed and equitable national economic structure. 2) Growing and developing the ability of micro, small and medium enterprises to become resilient and independent businesses. 3) Increase the role of micro, small and medium enterprises in regional development, job creation, income distribution, economic growth and poverty alleviation.

MSMEs play a significant role in the economies of many countries. They are an important pillar in creating jobs (Tekola & Gidey, 2019), supporting local economic growth (Fiseha & Oyelana, 2015), and contributing to poverty alleviation (Nursini, 2020). In the context of digital innovation, understanding the impact of the digital economy on MSMEs is essential, given its potential influence on overall economic stability. Consumer trends have also been changing rapidly due to the development of the digital economy. Consumer behavior patterns, such as shopping online, interacting with brands through social media, and supporting local businesses through e-commerce platforms, have changed substantially (Rosário & Raimundo, 2021). This raises important questions about how these changes affect the revenue of MSMEs that depend on consumer interactions.

In addition to the positive impacts, MSME players often face obstacles in utilizing the potential of the digital economy. MSMEs are limited in their access to technology, limited human resources, and limited capital. Therefore, it is trying to understand the extent to which these factors affect the ability of MSMEs to exploit the digital economy. In the era of globalization, the digital economy also opens up opportunities for MSMEs to engage in international trade (Quintonet et al., 2018). However, competition with strong international players is also a challenge that needs to be faced. Therefore, this analysis will consider how MSMEs can improve their competitiveness in the global market through the digital economy.

The government's role in facilitating the use of the digital economy by MSMEs is also important. Policies and regulations that support MSMEs in adopting digital technology can play a big role in overcoming the obstacles faced by small and medium enterprises. Through a deeper

understanding of the impact of digital economic development on MSME revenues, this paper is expected to provide valuable insights for stakeholders, such as the government, MSME associations, researchers, and businesses themselves. It can also serve as a foundation for designing policies that support the growth and development of MSMEs in the ever-changing digital economy era.

2. METHOD

In this study, the subjects were MSMEs in Makassar City which had criteria as many as 2,683 business actors with the sampling technique in this study being proportionate stratified random sampling technique, a sample of the population selected randomly and proportionally. The data collection technique uses a questionnaire, which is a technique for collecting data and information that makes it possible to analyze studying the attitudes, beliefs, behaviors and characteristics of some of the main people in the proposed organization or by the existing system. This technique is carried out using a closed-form statement list to facilitate researchers in analyzing data. The survey was conducted by distributing questionnaires to respondents of MSME business actors in Makassar City. The scale used is a Likert scale.

The data analysis method used is to use a quantitative descriptive approach with case study research which is used to summarize, process, and then present observation data so that other parties can easily understand the object of the research. After the data is collected, the data will then be analyzed with the application, namely SPSS. However, before the data is analyzed the author needs to test whether the data is valid and variable. The test carried out is simple linear regression analysis.

Dalam penelitian ini, analisis regresi linier sederhana berperan sebagai teknik statistik yang digunakan untuk menguji ada atau tidaknya pengaruh variabel X terhadap Variabel Y. berikut adalah penjelasan variabel bebas dan variabel terikat yang akan diteliti pada penelitian ini, yaitu: variabel bebas (X) adalah Ekonomi Digital dan variabel terikat (Y) adalah Pendapatan UMKM.

Partial significant test (T test), this test is carried out to prove the effect of the independent variable and the dependent variable partially (individually) in other words, this test is carried out to see the significance of each variable separately (partially) on the independent variable. This test is carried out by comparing the t value with the t table with an error rate (α) of five percent (5%) and the degree of distribution or degree of freedom (df) of n. If $t_{count} > t_{table}$ = H_0 is rejected and H_a is accepted, it means that the independent variable significantly affects the independent variable. b. If $t_{count} < t_{table}$ = H_0 is accepted and H_a is rejected, it means that the independent variable does not significantly affect the independent variable.

3. RESULTS AND DISCUSSION

The regression results show that the digital economy (X1) against MSME revenue (Y) Makassar City. Based on SPSS 21 calculation can be seen as follows:

Table 2. Simple Linear Regression Results

		Coefficients^a				
		Unstandardized		Standardized		
		Coefficients		Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	9.864	3.093		3.189	.095
	Digital Economy	.861	.090	.702	9.546	.005

a. Dependent Variable: MSME Revenue

The results of the simple linear regression analysis can be seen in table 2 above. The

results of these calculations are as follows:

- a. The constant of 9.683 indicates that if the digital economy variable increases by 1%, the income variable will also increase by 9.683%.
- b. The regression coefficient on the independent variable, namely the digital economy, is positive 0.86, which means that it shows that every 1% increase in digital economic development increases by 0.861%. The meaning of the research results of the regression coefficient is positive, meaning that there is a positive relationship between the digital economy and income.

Based on the results of calculations where the significant value of the digital economy is 0.000, from a 0.05 and it is known that the t value is $9.546 >$ from t table 1.986, then the digital economy has a positive and significant effect on MSME income in Makassar City. So it can be concluded that H_a is accepted and H_o is rejected.

The finding that the digital economy has a positive impact on the income of MSMEs in Makassar City provides important confirmation of the critical role played by the development of digital technology in changing the business landscape. The results of this study are consistent with several studies from Afifah & Najib (2018) and Kumar et al. (2023) that MSMEs have received a positive impact from the adoption of digital technology, and these results reflect in line with global trends where businesses are increasingly integrating digital technology in MSME operations.

The results of this study indicate that every 1% increase in digital economy variables contributes to a 0.861% increase in the income of MSMEs in Makassar City. This indicates that the development of the digital economy allows MSMEs to increase their income. This can be realized through increased online sales, access to wider markets, operational efficiency, and product and service innovation.

The significance of the results emphasizes the importance of this relationship. The digital economy factor is not just an additional aspect in the model, but strongly and significantly affects MSME revenues. This fact is consistent with the research results from Redjeki & Affandi (2021) and provides a strong basis for concluding that the implementation of strategies that utilize digital technology can provide significant benefits for MSME players.

The results of this study have significant implications for policy design. The government and relevant agencies can consider more initiatives to support the adoption of digital technology in MSME businesses, such as providing training and access to digital infrastructure. These measures can help optimize the contribution of MSMEs to Makassar City's economic growth.

While the study found positive impacts, there are challenges that arise in adopting the digital economy for MSMEs. Some of these include limited access to technology, cybersecurity, and intensifying competition in the digital market. Therefore, additional support and guidance is needed to help MSMEs overcome these barriers.

The results of this study underscore the importance of digital economic development in advancing the MSME sector in Makassar City. With a better understanding of these positive impacts, stakeholders can work together to design more effective initiatives to support the growth and development of MSMEs in the evolving digital economy.

4. CONCLUSIONS AND SUGGESTION

Based on the discussion and analysis of the effect of the digital economy on the income of MSME business actors in Makassar City, it can be concluded that the digital economy variable (X) has a significant effect on the income variable (Y) of MSMEs in Makassar City. This is evidenced by the significant value of the digital economy partially and the individual parametric significant test (t-test) of $0.000 <$ from $\alpha = 0.05$. Meanwhile, from the results of the analysis, it is known that the value of t count is $9.546 >$ from t table 1.986.

Suggestions for business actors as explained, that the development of the digital economy is an important factor in the success of a business, therefore it is necessary to increase

knowledge about the digital economy for business actors so that in running their business there is an increase in terms of allocating good income for future businesses and also by better mastering emerging digital technology in order to attract customers from various regions and be more efficient in promoting their products. Meanwhile, for further researchers used for this study only two variables, therefore further research can add other variables related to the development of the digital economy.

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