

# Building Digital Transformation Towards MSME Business Sustainability Post Pandemic

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## ABSTRACT

**Keywords:**  
MSME; Digital Transformation; Sustainability

*Micro, small, and medium-sized enterprises (MSMEs) have been hit hard by the COVID-19 pandemic. Digital technology have helped them deal with the situation better. Still, only 13% of MSMEs use the internet to market and sell their goods and services. This paper talks about opportunity and challenge of digital transformation for Indonesia's MSMEs in post COVID-19 pandemic. This study employed a descriptive-quantitative approach utilizing literature content analysis. As a supplement to literature reviews, questionnaires were provided to the owner of MSMEs. The results indicated that 1) digital marketing is the highest priority for MSMEs, 2) the majority of MSME actors are very receptive to e-commerce, and 3) MSMEs have the most need to develop their financial digital literacy. 4) MSME owners used a combination of offline and online marketing strategies to secure long-term sustainability following the COVID-19 pandemic.*

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## ABSTRAK

**Kata Kunci:**  
UMKM, Transformasi Digital, Keberlanjutan

Usaha mikro, kecil, dan menengah (UMKM) sangat terpuuk oleh pandemi COVID-19. Teknologi digital telah membantu mereka menghadapi situasi dengan lebih baik. Namun, hanya 13% UMKM yang mengimplementasikan teknologi digital untuk memasarkan dan menjual barang dan jasa mereka. Artikel ini membahas tentang peluang dan tantangan transformasi digital bagi UMKM Indonesia pasca pandemi COVID-19. Penelitian ini menggunakan pendekatan deskriptif-kuantitatif dengan menggunakan *content analysis* pada literatur dilengkapi dengan data hasil kuesioner yang diberikan kepada pemilik UMKM. Hasil penelitian menunjukkan bahwa 1) *digital marketing* merupakan prioritas tertinggi bagi UMKM, 2) mayoritas pelaku UMKM sangat menerima *e-commerce* sebagai sarana transaksi bisnis, dan 3) UMKM paling perlu mengembangkan literasi digital keuangannya, 4) Pemilik UMKM menggunakan kombinasi strategi pemasaran offline dan online untuk mengamankan keberlanjutan bisnis setelah pandemi COVID-19.

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## INTRODUCTION

The COVID-19 pandemic has had a detrimental effect on micro, small, and medium-sized enterprises (MSMEs), including those belonging to the millennial and z generations. On the basis of the findings of the survey, information was obtained indicating that the pandemic had an effect on the management and operational aspects of

MSMEs (Lingyan et al., 2021). In terms of the operational side of things, the impact manifests itself as a decrease in turnover, restrictions on production, and even potential threats to the continuity of the business.

The impact on the management aspect takes the form of technical business governance, which necessitates modifications to health protocols such as limiting the capacity of business space and reducing the number of contact activities. In order to combat this pandemic, there needs to be innovation in the business world, specifically in the areas of management and operations (Lingyan et al., 2021). There have been a significant number of business owners who have been impacted, but there are also business owners who have been able to anticipate the effects of this pandemic. Entrepreneurs who are successful in predicting the impact of this factor make updates or innovations to the business processes that they are currently engaging in (Nguyen et al., 2021). It is not necessary for innovation to be implemented in the overall process of the company's operations; rather, it may be implemented in aspects of the company that are regarded as being less strong.

As a logical consequence of the pandemic that ravaged the real sector, economic flows have been accidentally moved toward digital platforms that facilitate contactless transactions. The advancement of digital technology is hastening the expansion of currently available products, particularly in the area of financial technology (fintech). Fintech transactions are always developing, even after through a period of change that was exceptionally dynamic, rapid, and epochal (Arianti, 2020.). It would appear that the ease of use afforded by each and every technology instrument has supplied support for the idea that the world is under control. whereas holding a cell phone in one's hand. Only with the mastery of information literacy that is supported by information literacy technologies will you be able to achieve this level of growth (Ibarra et al., 2020).

## **METHOD**

The research being presented here is qualitative descriptive research using an observational methodology. Content analysis of the various data sources is the study method that was used. In addition, information was gathered by conducting a poll with one hundred individuals who were involved in MSME businesses who belonged to the millennial and z generations. The survey was conducted out by presenting the respondents with both open-ended and closed-ended questions. In this study, we make use of secondary sources of information such as journals and research reports compiled by reputable institutes. In addition to that, the study makes use of primary data, which comes from the findings of surveys. After obtaining the data, it is subjected to processing and analysis in order to produce a summary of the research that can be comprehended without difficulty by both researchers and readers (Ghozali, 2016).

## RESULT AND DISCUSSION

Understanding technology competence is the ability to use, analyze, organize, and assess a process or science-based invention to solve issues and grow one's abilities. Technological literacy refers to a thorough understanding of technology that may be applied effectively in today's world (Helaluddin, 2019). Technological literacy is defined as the capacity to use technology, particularly in the study and teaching of science (Nyoman & Kusuma, 2019). Fintech has been evolving since the 1600s, when securities were first used as a financial instrument. On the findings of the study of both primary and secondary data analyses, a number of phenomena have received the most attention, including those that serve as supporting factors and those that operate as restricting factors for digital transformation in business.

**Table 1. Results and Findings**

No	Support Factors
1	The encouragement provided by the private sector (startups) in the development of digital technologies is exhibiting healthy growth.
2	The incorporation of digital technologies is proceeding relatively well among MSME business owners.
3	The government already possesses a road map for digitally-based company governance that can be modified to accommodate changing circumstances.
No	Barrier Factors
1	The level of digital technology literacy among MSME entrepreneurs is still quite low.
2	Uneven and inconsistent digital technology infrastructure Micro, small, and medium-sized enterprise entrepreneurs have not allocated sufficient funds for digital technology.
3	The administration of funding from the government for micro, small, and medium-sized enterprises (MSMEs) involved in technology is still inefficient.
4	The level of digital technology literacy among MSME entrepreneurs is still quite low.

It is anticipated that implementing the concept of sustainability across all facets of the business will stimulate the expansion of the company (Diva & Priyadi, 2020). The concept of sustainability refers to an effect in which the choices made today are identical to those that will be available in the future. The term "business sustainability" refers to a condition or state of a business in which it is possible to preserve, develop, and protect its resources while simultaneously designed to cater to the requirements of the enterprise (Velasques, 2018). There is a correlation between a company's capacity to generate profits, the company's capacity to safeguard the environment, and the company's capacity to enhance the quality of social life. Economic sustainability, environmental sustainability, and social sustainability are the three components that make up a company's overall capacity for long-term success (Dasig, 2017).

During the pandemic, MSMEs have relied heavily on e-commerce as the primary support for conducting business transactions (OJK, 2021). The majority of MSMEs are able to independently learn and use digital applications for business activities (e-

commerce and social media). The degree to which the government is prepared to construct digital-based business governance (the Making Indonesia 4.0 Roadmap) is not sufficient for the level of urgency with which its use is required during the pandemic.

Individuals now have easier access to financial instruments, including capital market instruments, thanks to the advent of digital-based fintech. Furthermore, the epidemic that has slowed the real sector has encouraged everyone, even MSME operators, to put their money in the stock market (Wójcik, 2021). Fintech is booming, because to the rise of digital technology, which is now the industry's main driver of innovation. The mainstay of improving financial inclusion is information technology (Kondarevych et al., 2020). In the financial sector, information technology advancements, both in terms of infrastructure and content, create chances for innovation (Subramayam, 2017). The transaction process is one of the biggest developments brought about by the advancement of information technology in the financial sector.

Innovation in a company can come in the form of either operational innovation or innovation in some aspect of the business. Research and development in production and marketing strategies were what ultimately led to the commercialization of these innovations. These innovations were the product of R & D, which stands for research and development. In other words, innovation is the process of realizing a new idea, which is distinct from the old one (Apanasovich, 2017). The process of innovation includes evaluating existing procedures, developing new concepts, and putting those concepts into practice. Utilizing a variety of new approaches and technologies is one definition of innovation (Bonilla & Svitavsky, 2018). This may be done in order to improve quality, reduce costs, meet or exceed company goals, or both.

## CONCLUSION

Following the pandemic, MSMEs' key concerns for business transformation include digital marketing and e-commerce. MSMEs in Indonesia still have a low level of digital technology literacy. Budgets for MSMEs' adoption of digital technologies have not become a top focus. Digital technology governance in e-commerce activities has not been a government priority during the epidemic, according to the government. Because the majority of MSME players adopt e-commerce as a means of conducting business, it is vital to upgrade the digital technology infrastructure to enable digital applications. There is a need for a planned and long-term training program for MSME players to improve their digital technology literacy in business processes. When it comes to using a combination of offline and online marketing methods to ensure business survival post-pandemic, funding and planning for online business activities should be a top priority.

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