



Encouraging The Growth Of MSMEs (Micro, Small And Medium Enterprises) Through E-Commerce

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Abstract

This research aims to analyze the impact and challenges of e-commerce implementation for the growth of MSMEs as well as to develop concrete solutions and practical guidelines to increase the utilization of e-commerce among MSMEs. The research method used is a descriptive qualitative approach with data collection from various sources. The results show e-commerce has a significant positive impact on MSME growth, but there are still challenges such as access to technology and understanding of e-commerce management. Proposed solutions include improved digital literacy, training, government support and clear regulations. The implication is to provide insights for MSMEs, stakeholders and government to overcome challenges and capitalize on e-commerce opportunities.

Keywords: MSMEs, E-commerce, Growth of MSMEs

INTRODUCTION

Rapid developments in technology and information today have encouraged people to be increasingly connected to the internet. The internet, once considered a temporary innovation, has now become an integral part of the modern human lifestyle, reflected in the use of various devices such as mobile phones, netbooks, laptops, and various other gadgets. A new phenomenon that has emerged from this development is the trend of online shopping, which can be called e-commerce, which has created a new lifestyle for the community (Silalahi et al., 2022). E-commerce has become a major force in changing the face of business globally, including in Indonesia. In the context of MSME growth, the application of e-commerce promises great potential to expand market share, improve efficiency, and strengthen the competitiveness of MSMEs (Dahlan et al., 2019). However, despite the great opportunities, the implementation of e-commerce among MSMEs is still faced with a number of challenges that need to be overcome so that the benefits can be maximized (Budyanti et al., 2021).

Today, the internet serves as an essential tool for communication and information in many business sectors. During the current pandemic, MSMEs have started to turn to internet companies as a substitute for their previous offline revenue. Moreover, internet marketing allows MSMEs to access a wider customer base. Therefore, mastering marketing technology has become very important for MSME players. This marketing technology can be utilized through social media platforms such as WhatsApp, Instagram, and Facebook.

Social media has a significant role in business promotion and marketing, especially in the context of e-commerce. Various studies emphasize the advantages of e-commerce for MSMEs, such as offering wider opportunities to enter national and global markets, improving business communication, and increasing access to information while expanding marketing and transactions between consumers and suppliers (Daga et al., 2019). Despite the great potential of e-commerce in supporting the growth of MSMEs, there are still some issues that need to be addressed. Some of these include access limitations, lack of understanding of e-commerce management, as well as technical and infrastructural barriers that impact e-commerce adoption in different regions of Indonesia (Govindaraju & Chandra, 2011).

Research in e-commerce implementation for MSMEs in various regions in Indonesia shows a gap in the literature. Some studies are more inclined to the technical aspects, while the management, marketing, and socio-economic impacts of e-commerce on MSMEs still need to be further researched (Hasan et al., 2021). Nevertheless, the implementation of e-commerce can provide various benefits for MSMEs, such as a wider marketing reach, more efficient communication between MSME owners and consumers, and automatic recording of production data and profits (Riyanto et al., 2021). In addition, e-commerce can also be a great opportunity for MSMEs to optimize their business and enter the export market. However, there are a number of challenges in the implementation of e-commerce, including security and protecting customers, logistics and infrastructure issues, as well as linkages with taxation related to e-commerce transactions. In addressing these challenges, the Government plays an important role in establishing a strong legislative framework to ensure fair treatment between local product businesses and local businesses, especially MSMEs. In addition, it is also important to effectively regulate customer protection (KIROM et al., 2022).

Through this case analysis, it is expected to identify best practices and barriers faced by MSMEs in utilizing e-commerce. In addition, concrete solutions can be proposed to improve e-commerce utilization among MSMEs, including marketing strategies, supply chain management, and accessibility improvements (Anggraeny & Baihaqi, 2021).

The study of the role of e-commerce applications in supporting the growth of MSMEs in Indonesia has several important aspects that need to be understood. Based on various sources, MSMEs have a high participation in the Indonesian economy, including in terms of expanding employment opportunities, hiring labor, and creating GDP. In addition, MSMEs also have a role in alleviating poverty, community economic equality, and as a source of foreign exchange income for the country. Government support through programs, namely KUR and the PEN Program, is also an important factor in supporting the growth of MSMEs (Ikhsan, 2021). In addition, technological developments, especially through e-commerce platforms, have helped MSMEs to continue to grow and reach a wider market. Therefore, an

in-depth understanding of the role of e-commerce applications in this context can provide useful insights for MSME players, stakeholders and researchers in related fields (Hidayat & Inang Aria Arifin, 2021).

The purpose of this case analysis aims to deeply analyze the direct and indirect impacts of e-commerce technology adoption on MSMEs, as well as to identify the key factors that influence its successful implementation (Kartiwi, 2006). Thus, this research not only aims to understand how e-commerce affects the performance and growth of MSMEs, but also to explore the factors that can be an obstacle or a driver for the successful implementation of this technology in the context of MSMEs. In addition, one of the main purposes of this analysis is to develop practical guidelines that can assist MSMEs in utilizing e-commerce in an effective way, including online marketing strategies, digital supply chain management, and management of data security and customer privacy. By doing so, the results of this analysis are intended to make a direct and useful contribution to MSMEs in facing the challenges and opportunities of this digital era (Md Husin & Haron, 2020).

This analysis is intended to make a significant contribution to recognizing the role of e-commerce technology in driving the growth of MSMEs. By enriching the related literature, the findings of this case analysis are intended to provide a deeper understanding of how MSMEs can effectively utilize e-commerce to improve their performance and competitiveness (Sitorus & Fontana, 2021). Furthermore, the results of this analysis are intended to be a strong basis for formulating policies that support the utilization of e-commerce technology by MSMEs, so as to strengthen their position in the growing digital market (Syuhada & Gambett, 2013).

METHOD

Type of Research

The type of analysis used in this study is descriptive qualitative analysis. Qualitative research methods focus on a deep understanding of a problem rather than trying to generalize the problem. Descriptive research aims to explain social events or realities by describing variables related to problems and research units. Descriptive analysis aims to describe the characteristics or conditions of the object that is the focus of the research.

Data Source

The source of data in this study comes from secondary data obtained from literature studies and scientific publications related to the development of MSMEs through e-commerce. The secondary data includes academic journals, textbooks, research reports, online articles, and official documentation related to the e-commerce industry and MSME growth.

Data Collection Methods

Data was collected through a systematic search and analysis of the literature which involved the study of related literature from various relevant sources. The data collection process did not involve direct interaction with the research subjects such as observation or interviews, but focused on analyzing and synthesizing information from existing sources. The data collection process was conducted systematically to identify key findings and trends related to MSME development through e-commerce.

Data Analysis Technique

In analyzing qualitative research data, researchers must investigate and understand relationships and concepts to expand and evaluate. Analysis in any research involves a systematic thought process associated with systematically examining components to establish the parts, the interrelationships between parts, and their relationship to the whole.

RESULTS AND DISCUSSION

Effect of E-commerce on MSME Growth

Currently, in Indonesia, internet usage is increasing without any age limit. This increase indicates that the potential for e-commerce in Indonesia is quite large. So that e-commerce can be used as a marketing strategy by MSMEs. E-commerce has had a significant positive impact on the growth of MSMEs in Indonesia. Technological developments and wider internet penetration have enabled MSMEs to grow their business through online platforms.

It provides wider market access, not limited by geographical boundaries as encountered in conventional businesses. MSMEs can now sell their products not only locally, but also nationally and even internationally, at a relatively low cost compared to physical expansion. In addition, e-commerce also allows MSMEs to adopt new business models, such as dropshipping or partnerships with large marketplaces, which can improve efficiency and expand the reach of their products.

As mentioned, e-commerce offers great opportunities for MSMEs to expand their markets and grow their businesses. By utilizing e-commerce, MSMEs can open wider market access, create new job opportunities, and have a positive impact on other e-commerce business support sectors, which in turn will contribute to accelerating Indonesia's economic growth. In line with research conducted by Orinaldi (2020), that e-commerce for business actors acts as an alternative in order to improve the sales performance of their business products. In addition, e-commerce can provide operational cost efficiency for an MSME, because by utilizing e-commerce, namely selling online, MSMEs can reduce the need for operational costs such as store rental costs, physical, utility costs, and other operational costs. With this, it can provide benefits for MSMEs to improve the quality of products or services and also more effective marketing strategies (Kamil & Miranda, 2024). Orinaldi (2020) also said that for business actors, e-commerce is a means of buying and selling that can minimize costs and time. This is because the implementation of work is more flexible than offline stores that are fixed to certain hours.

The presence of e-commerce can strengthen competitiveness for business actors, especially MSMEs. So that businesses are competing to increase innovation in marketing and also customer service. MSMEs can also easily compete with large companies with this e-commerce. They can offer unique or specialized products that are not available in large stores, or can also compete in terms of price, quality and customer service.

Overall, e-commerce has had a positive impact on the growth of MSMEs. With the right strategy and utilization of technology, MSMEs can leverage e-commerce to increase sales, expand markets and strengthen their position in the digital era.

The Challenges in E-commerce Implementation by MSMEs

E-commerce is a buying and selling service that is carried out online through internet media which is growing rapidly in Indonesia. As we already know that the use of technology is the main thing in online buying and selling service activities. However, only a few areas have experienced technological development with parties, such as Java and other urban areas. Thus, there are challenges found in the implementation of e-commerce by MSMEs (Rahmanisa et al., 2023).

While the opportunities offered by e-commerce are immense, MSMEs are still faced with a number of challenges that need to be overcome to successfully adopt this technology. One of the key challenges is the lack of access and adequate technology infrastructure, especially in rural areas. This can hinder MSMEs from effectively developing their online presence. In line with research conducted by Rahmanisa et al (2023) the existence of uneven technological development is an obstacle for MSMEs to implement e-commerce, therefore the government must commit to developing strong infrastructure and start providing internet for people in remote areas. In addition, there is a lack of understanding of e-commerce management and limited digital expertise among MSME players. Some MSMEs may not have the knowledge or resources to effectively manage their e-commerce platforms. In addition, data security and privacy issues are also a concern, especially for MSMEs that are not yet familiar with managing information online.

Although there are many benefits of e-commerce for MSMEs, there are also challenges that need to be faced. The unwillingness to optimally utilize e-commerce and the inability to use technology effectively and efficiently are obstacles for MSME owners themselves. There are some people who find it technically difficult to learn and master new technologies and thus feel bored. The difficulty of MSMEs embracing e-commerce due to uneven access to technology in Indonesia, of course, requires good cooperation between e-commerce experts, stakeholders in local companies, the government, and the community for the purposes of developing answers to these problems. Specifically, here the government must have a strong legal basis for fair services to online and offline business actors, as well as to support and empower local businesses, especially for MSMEs and locally produced goods which are very important to ensure consumer safety (Rahmanisa et al., 2023).

Benefits of E-commerce for MSME Growth

Various studies have shown the significant benefits of e-commerce adoption for the growth of MSMEs. In addition to improving market access and operational efficiency, e-commerce also allows MSMEs to improve interactions and connections with their customers. This can help build stronger relationships and increase customer loyalty. In addition, e-commerce also facilitates better data collection and analysis, which can be used for better strategic decision-making and more targeted product development. The ability to track and

analyze consumer behavior online provides valuable insights for MSMEs to optimize their marketing and sales strategies.

Based on the explanation by the head of LIPI in e-commerce coverage, it has benefits for MSMEs, namely:

1. Time Efficiency

Buying and selling transactions are no longer tied to conventional methods, providing flexibility for businesses and consumers. This allows for more productive use of time for both customers and businesses.

2. Geographic Expansion

E-commerce allows businesses to expand their reach without being constrained by borders, even across national borders. The use of expedition technology makes cross-border transactions easier.

3. Low Capital

E-commerce allows individuals with limited capital to start a business without having to own a physical store. This opens up opportunities for those who are limited in terms of capital.

4. High Flexibility

Consumers can access the product catalog whenever they want without being bound by a certain time or location. E-commerce provides high flexibility for consumers in making transactions.

5. Larger Business Scale

By utilizing e-commerce, businesses can grow bigger as they can reach a wider market. It also enables improvements in business promotion and branding effectively (Waliyati & Sutarni, 2021).

Solutions and Guidelines for E-commerce Utilization by MSMEs

In the utilization of e-commerce in Indonesia, it needs more attention to face challenges in its application. In facing these challenges, one of the things that needs to be done by MSMEs to overcome them is to improve marketing strategies by utilizing technological media to advertise MSME products. In addition, MSMEs need to realize the importance of digitalization in facing the disruptive era and maintaining the sustainability of their business in the face of increasingly fierce competition.

Various digitization efforts that MSMEs can adopt include keeping their businesses up-to-date with technological developments, optimizing content through SEO best practices, using social media platforms efficiently to build brands and promote products, leveraging analytics tools such as Google Analytics, implementing financial technology and digitizing human resources, and ensuring the availability of affordable and reliable digital infrastructure. In addition, digital literacy, training on e-commerce, expansion of internet access, awareness of social performance issues, and implementation of environmentally friendly technologies are also important. Collaboration with external partners, leveraging existing government support and incentives, and a commitment to continuous learning and continuous adaptation are also key factors in an MSME digitalization strategy (Agustin et al., 2023)

To help MSMEs overcome the challenges of adopting e-commerce, concrete solutions and practical guidance are needed. The government needs to play a role in providing adequate technology infrastructure and wider internet access, especially in rural areas. Training and mentoring programs organized by the government, educational institutions and industry can also help improve digital understanding and skills among MSMEs. In addition, a clear regulatory framework is needed to protect the interests of MSMEs and address data security and privacy concerns. This will help create a conducive environment for the growth and sustainability of MSMEs in the digital era.

CONCLUSION AND RECOMMENDATION

The conclusion of this study shows that e-commerce has a significant positive impact on the growth of micro, small, and medium enterprises (msmes) in indonesia. Through online platforms, msmes can expand their business with wider market access, not limited by geographical boundaries. They can sell products nationally and even internationally at a relatively low cost compared to physical expansion. In addition, e-commerce allows msmes to adopt new business models such as dropshipping or partnerships with large marketplaces, which improves efficiency and expands the reach of their products.

However, the implementation of e-commerce by msmes in indonesia is also faced with a number of challenges. One of them is the lack of access and adequate technology infrastructure, especially in rural areas. This can hinder msmes from effectively developing their online presence. In addition, the lack of understanding of e-commerce management and limited digital expertise among msme players is also a challenge.

To overcome these challenges, concrete steps need to be taken. The government needs to play a role in providing adequate technology infrastructure and wider internet access, especially in rural areas. Training and coaching programs organized by the government, educational institutions and industry can also help improve digital understanding and skills among msmes. In addition, a clear regulatory framework is needed to protect the interests of msmes and address data security and privacy concerns.

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