

The influence of the digital literacy program on msmes as an effort for business resilience in improving the national economy

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ABSTRACT

This research aims to explore the importance of digital literacy for society, especially MSMEs, to encourage a national business resilience program to enhance the national economy concerned by the COVID-19 pandemic. The method used in this research is qualitative research which utilizes official literature sources. The outcomes of this research found that in the digital economy era, consumer caution in choosing goods and services has increased, especially in line with the impact of the COVID-19 pandemic which limits direct consumer activities. It reduces consumer confidence in the products and services offered by Micro, Small, and Medium Enterprises (MSMEs). To overcome this challenge, MSMEs need to improve the quality of their products and increase the types of services offered to consumers, such as product delivery services via online media. Additionally, improvements in service standards, including product cleanliness and effective online communication, are also required to rebuild consumer trust. With improved product and service quality, it is hoped that consumer satisfaction will increase, which in turn will support the recovery and growth of MSME businesses in the future.



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1. INTRODUCTION

MSMEs play a crucial role in reducing poverty and unemployment levels in Indonesia (Ayodya, 2020). This business is considered the main pillar of the economy for the middle and lower classes because of its ability to absorb labor, which in turn reduces the unemployment rate. However, during the COVID-19 pandemic, MSMEs faced serious challenges, including decreased production, distribution constraints, capital problems, decreased sales, limited raw materials, as well as a reduction in the number of workers or even layoffs. This situation poses severe risks to the country's economy. As a result of the low productivity of MSMEs, the profits obtained also decrease. Based on a survey conducted by the Asian Development Bank (ADB), more than 60% of micro and small businesses have cut ties with their workers, and around 88% of them have lost savings or liquidity, showing the significant negative impact of the COVID-19 pandemic.

In 2021, Databoks (2023) expressed that Indonesian MSMEs constitute a cornerstone of the national economy, comprising a staggering 99.62% of total business units, as evidenced by the

recorded figure of 63,955,369 units. Notably, their proportion has remained relatively consistent over the past decade. In contrast, small businesses contribute a significantly smaller share, with 193,959 units representing just 0.3% of the total. Similarly, medium enterprises account for an even smaller proportion, occupying 0.07% with 44,728 units. Large businesses constitute the least numerous category, encompassing a mere 0.01% or 5,550 units. Despite their numerical dominance, MSMEs significantly impact the economy, generating an impressive 61% or 9,580 trillion rupiah towards the nation's gross domestic product (GDP). Furthermore, they play a crucial role in employment, absorbing a remarkable 97% of the total workforce in Indonesia (Kemenko Perekonomian, 2023).

Currently, around 21 million MSMEs in Indonesia, or around 32% of the total 64 million MSMEs, have been integrated through digital technology in the form of e-commerce (Kemenparekraf, 2023). Of course, this is still far from what the Indonesian government hoped for in encouraging economic activity in society as a step for economic recovery. It is related to the issue of connectivity after the Covid-19 pandemic, which has not been evenly distributed in society so access to it is still less than optimal. Apart from the problem of the Covid-19 pandemic which has affected the world, expertise in the field of technology is very much needed in the MSME sector which functions to increase the productivity of business actors. The need for digital transformation has become an unavoidable urgency in society so digital literacy cannot be simply put aside.

In this digital era, digital literacy plays a crucial aspect in increasing national growth in various sectors, such as public services, economics, politics, and culture. The development of information technology has changed the global marketing panorama in recent years. Marketing communication methods that were previously traditional have now become an integral part of the digital realm. Marketing activities that utilize advances in digital technology are often known as digital marketing. Digital transformation is the result of organizational or environmental changes triggered by technological advances (Mckinsey & Company, 2020). These changes occur in various aspects of business, including relationships between companies and customers, companies and employees, and employees and customers, as well as adapting to current market and environmental conditions.

The COVID-19 pandemic has changed people's consumption patterns, strengthening the tendency to digitalize MSMEs as a habit that will continue in the future (Sumarni, 2020). The number of MSMEs who have adopted digital platforms has increased significantly since the start of the COVID-19 pandemic. It shows that social media plays a vital role in the development of entrepreneurial businesses and MSMEs (Naimah et al., 2020). High use of social media is also associated with an increase in online transactions, providing an opportunity for MSMEs to shift completely to a digital model. However, digitalization itself does not guarantee that MSMEs will avoid various challenges, such as fluctuations in demand in the digital market, unequal levels of resilience among MSME players, and levels of digital literacy that are still inadequate.

2. RESEARCH METHOD

This research adopts a literature study approach to explore all information and data related to topics that discuss digital MSME development strategies after the COVID-19 pandemic in the context of Indonesia's economic recovery so that it continues to grow. The steps taken in using the literature study model include several stages. First, researchers observe and analyze phenomena related to the research topic. Second, the data sources used come from official literature, such as journals, books, and scientific articles. Third, determining the research focus is based on the literature that has been collected. Finally, researchers explore various literature sources to get new ideas related to the research objectives.

The data used in this analysis comes from various official literature relevant to the research topic, such as journals, books, and scientific articles. The author uses various data collection techniques, including searching for variables through books, notes, papers, and articles. The content investigation method was chosen as a data analysis technique to ensure accuracy in the assessment and to reduce misinformation. Therefore, checking and verifying literature sources is an important step taken by researchers.

3. RESULTS AND DISCUSSIONS

The Influence of Digital Literacy for MSMEs

Digitalization has emerged as a critical issue that requires strategic handling by MSME players. In the pandemic era, there has been a significant increase in e-commerce transactions, which have reportedly doubled, from 80 million transactions in 2019 to 140 million transactions in 2022. Parallel to this, there has been a dramatic surge in the number of internet users, which has increased to 73.7% or around 196.7 million users compared to the year before the pandemic. However, of this number, only 13% of MSMEs have successfully integrated with the digital marketplace.

Today's MSME entrepreneurs have adapted to the digital ecosystem, which has a significant impact on their income. The growth in the number of MSMEs switching to digital platforms has become the basis for Indonesia to optimize its digital economic potential (Gartner, 2020). In line with this, it is estimated that the potential growth of digital economic value in Indonesia will increase significantly, namely eight times or reach IDR 4,531 trillion in 2030. However, to achieve this, efforts are needed that include expanding market access and improving quality. human resources in terms of management, as well as improvements in both quality and quantity of production. With the rise of MSMEs, the Indonesian economy will also receive a significant boost ((Anderson, 2018) (Sharma & Rai, 2019)).

Digital transformation does not just involve using new technologies in business but also involves restructuring business models to meet customer needs. Factors such as policies limiting outdoor social interactions during the COVID-19 pandemic have changed the behavior and needs of consumers, who tend to rely more on digital technology for interactions and transactions. This has accelerated the digital transformation process, in line with the increasing use of digital technology and intense market competition. However, the challenges faced by MSMEs in Indonesia are still diverse, especially due to the low level of entrepreneurship and lack of readiness to face digital transformation.

To improve this condition, the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) has taken strategic steps. First, they focus on increasing digital and financial literacy for MSME players. This includes increasing understanding of digital technology, social media, and the use of marketplaces for business. Second, they strive to help MSMEs improve the efficiency of their business processes, especially in terms of marketing and financial management. Third, they promote synergy between the Government Goods or Services Procurement Policy Institute (LKPP) and the Ministry of Cooperatives and SMEs to expand market access for MSMEs. Finally, they identify and support local MSME heroes who have the potential to become leaders in digital transformation (Surbakti & Manurung, 2018).

While these steps are important, challenges remain, especially in the face of a prolonged COVID-19 pandemic. Therefore, cooperation between government, corporations, universities, and MSMEs is needed to accelerate digital transformation. The millennial generation also has an important role in innovation and start-up development to support MSMEs in facing rapid economic changes (Choudhary & Sharma, 2019). Thus, it is hoped that this synergistic effort can accelerate the digital transformation of MSMEs and increase the competitiveness of the Indonesian economy as a whole.

It is understood that digital literacy has a crucial role in Indonesia's post-pandemic economic recovery process, especially for Micro, Small, and Medium Enterprises (MSMEs). In this context, digital literacy allows MSMEs to adapt their businesses to changes in people's consumption patterns that occurred during the pandemic. Through a strong understanding of technology and digital platforms, MSMEs can utilize various solutions such as e-commerce, social media, and other digital applications to expand their market reach and increase the visibility of their products. In addition, digital literacy allows MSMEs to manage their business efficiently, from inventory management to sales data analysis, which can help in making smarter and more timely decisions (Singh & Kumar, 2019). In this way, MSMEs that have a high level of digital literacy will be better able to survive and develop in post-pandemic conditions, thus overall contributing to Indonesia's economic recovery by spurring the growth of the MSME sector which is vital in the country's economy.

The Influence of MSME Digital Literacy in the Context of National Business Resilience

As time goes by, the process of development of the Indonesian economy continues to inherently continue on the global economic stage. Even though Indonesia's economic growth is relatively stable, structural reforms are needed to protect the country's economic stability and protect vulnerable communities. In the era of digital transformation, economic challenges will continue to be faced by the country and society within it, therefore, the government must prepare its people to face global dynamics through appropriate strategies to be able to compete in the global market.

MSMEs are one of the paramount pillars of the Indonesian economy. In this digital era, digital literacy is the key for MSMEs to increase their competitiveness and business resilience. Cumulatively Sipayung (2024) stated that Indonesia's economic growth is currently 5.05 percent, which has slowed down from the previous year which reached 5.31 percent due to the slowing global economy caused by the impact of high inflation after the COVID-19 pandemic and conflicts between major countries in the world. To overcome economic problems so that they do not decline further, the government has launched a digital literacy program for the Indonesian people to understand the positive and negative impacts of digital transformation which is now spreading throughout the world and has been implemented in Indonesia. This can support the improvement of the Indonesian economy through digital marketing, namely e-commerce, which can reach consumers wherever they are (Ramadhan & Lestari, 2017) .

Facts on the ground show that the development of digital-based micro, small, and medium enterprises (MSMEs) in Indonesia often encounters obstacles, especially in the marketing aspect of products or services (Pratama & Prasetyo, 2019). As a solution, a guidance program is needed that educates MSMEs on ineffective product and service packaging techniques to attract consumer interest. It is also important for them to understand and apply digital marketing principles. Through digital literacy, it is hoped that MSME players will be able to market their products without limits. This allows business people, especially MSMEs, to reach a wider market, optimize operations, and increase competitiveness in the global market because by utilizing technology and the internet, people can communicate effectively by accessing, managing, and integrating information and being able to evaluate information critically (Jaelani, 2018).

The government and various related parties need to continue to encourage the increasing digital literacy of MSMEs through various education and training programs. In this way, MSMEs can be better prepared to face the digital era and contribute more to national economic growth. From a national economic perspective, increasing digital literacy can stimulate innovation and creativity, which are the main keys to developing new products and services, as well as strengthening the digital economic ecosystem (Oktavianus & Nugroho, 2018). Enhancing business resilience entails adapting to swift shifts in market dynamics and technological advancements, thereby guaranteeing sustained business operations amidst the backdrop of global competitiveness and multifaceted challenges (Setiawan & Naimah, 2019). Furthermore, digital literacy contributes to financial inclusion by facilitating access to digital financial services, which are essential for business growth and expansion. Finally, increasing digital literacy nationally can accelerate the digital transformation of the economy, encourage inclusive and sustainable economic growth, and build a strong foundation for business resilience in the future.

Numerous procedural measures within this strategic framework encompass: initially, leveraging social media channels for consistent dissemination of product visuals and videos, with careful consideration given to aligning the platform choice with the specific attributes of the marketed product (Kabeer & Sharma, 2020). Second, creating and presenting marketing videos through live sessions to introduce products, which if done strategically can increase business attractiveness. Third, involving consumers in the product selection process, allows them to become more familiar with product quality through intensive exposure to social media accounts, which in turn can influence their decisions in choosing and purchasing products or services from these MSMEs (Nguyen & Nguyen, 2020).

These steps are an effective strategy for MSME players to strengthen their position in the digital market. This strategy not only increases brand awareness among consumers but also facilitates direct interactions, building closer relationships and trust with consumers. This strategy not only increases brand awareness among consumers but also facilitates direct interactions, building

closer relationships and trust with consumers. Through live sessions, MSMEs can show their products in detail, answer consumer questions in real time, and get valuable direct feedback for product improvements (Lee & Kim, 2017). This strategy also allows MSMEs to reach a wider range of consumers, beyond geographical boundaries, and do this at relatively low costs, making it a very cost-efficient option. Additionally, higher engagement resulting from regular publications and live sessions can encourage brand loyalty and lead to increased sales. Therefore, utilizing this digital strategy can significantly increase the visibility of MSMEs, strengthen relationships with consumers, and encourage business growth.

In the context of the current digital economy, consumers are showing increased caution in selecting the goods and services they need, a phenomenon that has affected their level of trust in offers from sellers, especially amid a pandemic (Komala & Naimah, 2019). This situation, which is characterized by a decrease in purchasing transactions due to limited direct shopping activities, requires Micro, Small, and Medium Enterprises (MSMEs) to improve the quality of their products to restore and increase consumer confidence. Furthermore, to adapt and respond to the needs of this dynamic market, it is important for MSMEs to not only focus on improving product quality but also on improving the quality of their services. It might encompass endeavors such as the creation of digital products or service delivery platforms and the integration of additional tailored customer services accessible to consumers with ease (Sari & Wardhana, 2018). This research emphasizes that MSMEs must implement stricter service standards, including ensuring product cleanliness and carrying out more effective and efficient online communication, to ensure business runs smoothly. This excellent service quality will rebuild consumer trust, leading to higher consumer satisfaction with the services provided by business actors.

Thus, business actors equipped with advanced digital literacy skills perceive that micro, small, and medium enterprises (MSMEs) can effectively leverage diverse digital platforms for product marketing, enhancing operational efficiency, and fostering connections with customers and business affiliates irrespective of geographical constraints. This capability enables MSMEs to expand their market reach, boost sales, and foster business growth. Furthermore, proficiency in digital literacy facilitates MSMEs in adapting to technological advancements and staying abreast of evolving market trends. Consequently, MSMEs are better positioned to navigate various challenges and capitalize on opportunities in the digital age, thereby fortifying the local business landscape and fostering economic prosperity within society (Khan & Raza, 2019). With a prosperous society, the country will increasingly benefit from achieving the nation's ideals in competing with big countries in the world. With an effective strategy and strong and responsive policies, it is hoped that the Indonesian economy will be able to navigate challenges originating from the global and domestic arenas in 2024 while maintaining stable and sustainable economic growth, which is based on stability, quality, and sustainability.

4. CONCLUSION

Having assimilated the discourse outlined previously, it can be inferred that digital literacy assumes a significant role in facilitating national economic resurgence and advancement, particularly by empowering micro, small, and medium enterprises (MSMEs). In the digital economic ecosystem, where consumers are becoming more selective and their trust in products and services is becoming necessary, MSMEs must change by improving the quality of their products and services. These adjustments are not only aimed at meeting changing consumer expectations but also to take advantage of new opportunities in sales and distribution through digital platforms. Additionally, increasing digital literacy among MSMEs will enable them to use more efficient digital marketing strategies, expand their market reach, and increase the resilience of their businesses to economic shocks. Therefore, investing in digital literacy and improving service quality is a strategic step that will benefit both MSMEs and the national economy as a whole, strengthening the foundations for inclusive and sustainable long-term growth.

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