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THE ECONOMIC IMPACT OF E-COMMERCE ON MSMES: OPPORTUNITIES AND CHALLENGES IN THE DIGITAL ERA

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ABSTRACT
This research aims to analyze the impact of e-commerce on micro, small and medium enterprises (MSMEs) in Indonesia, focusing on the opportunities and challenges faced in the digital era. Through a qualitative approach with a literature review, this study collected and analyzed various literature sources related to e-commerce and MSMEs. The results show that while e-commerce offers great potential to improve market access, operational efficiency and product innovation, many MSMEs still face obstacles such as low digital literacy and lack of technological infrastructure. This research is expected to provide insights for the government and stakeholders in formulating policies that support the development of MSMEs through digital transformation, so that MSMEs can be more competitive in the global market.

Keywords: e-commerce, opportunities and challenges, digital economy, MSMEs

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INTRODUCTION

The world economy, especially small and medium-sized businesses, has changed drastically due to the rapid growth of e-commerce. This shift is very important for micro, small, and medium enterprises in Indonesia. As the backbone of the country's economy, MSMEs can increase their marketing reach, efficiency, and profitability through digital technology. E-commerce presents many advantages for MSMEs, such as increased competition, reduced costs in transactions, and wider access to markets and clients (Syailendra et al., 2024). However, the adoption of e-commerce by MSMEs in Indonesia is still uneven, with many of them facing problems with infrastructure, digital literacy, and limited resources. It is also important to pay close attention to understand what the consequences of e-commerce are wider for MSMEs in Indonesia.

Electronic commerce or commonly referred to as e-commerce includes several types of business models that utilize the internet for business transactions. Some types of e-commerce that are commonly used in Indonesia include B2C (Business to Consumer), where companies sell products directly to consumers, such as Tokopedia and Bukalapak. In addition, there is also C2C (Consumer to Consumer) which allows individuals to sell goods to fellow individuals, an example of this C2C is the OLX platform. Furthermore, there is also a B2B (Business to Business) model that involves transactions between companies, such as the one carried out by Bhinneka.com. With various types of e-commerce, e-commerce not only provides convenience in shopping but also opens up new business opportunities for the community (Blut et al., 2015).

According to research (Dianari, 2018), the growth of Indonesian e-commerce has a positive impact on economic growth, although the negative impact is more significant in the short term. (Dianari, 2018) revealed that the growth of gross domestic product (GDP) grew in line with the increasing value of e-commerce transactions and the number of internet usage. Dianari (2018) also noted that there are several conditions that show that e-commerce businesses in Indonesia are still largely unaffected. This section addresses the following topics: (a) sustainable innovation from manufacturers; (b) consumer trust and satisfaction in the e-commerce business; (c) internet access infrastructure; (d) logistics infrastructure; (e) bank branch standards; (f) regulations; (g) political, social, and economic stability; and (h) public awareness and ability to adapt to change.

E-commerce has significant potential for the economy, but there are also problems in understanding the range of its economic impact on MSMEs. Although some MSMEs have successfully embraced or used e-commerce, utilizing platforms such as Shopee, Tokopedia, Lazada, Bukalapak, Blibli, Gojek, Grab, Instagram Shopping and Facebook Marketplace as well as international e-commerce such as Amazon and Alibaba, many other MSMEs struggle with mediocre resources, such as fluctuating digital resources such as internet connectivity which tends to be unstable, especially in remote places such as rural areas. and limited technological capacity (Teresya et al., 2022). This trend raises questions about the benefits and drawbacks of e-commerce for businesses, especially in a rapidly evolving economic landscape. (Sulestiyono et al., 2021), supporting the statement also states the same thing as the statement that without a comprehensive understanding of the factors that encourage or inhibit the use of e-commerce, the potential economic benefits for MSMEs may not be realized.

The purpose of this paper is to analyze the economic impact of e-commerce on MSMEs in Indonesia, focusing on the opportunities and challenges that arise in the digital era. This paper is expected to identify how e-commerce provides benefits such as market expansion, operational efficiency, and product innovation for MSMEs. In addition, this paper will also highlight the obstacles faced by MSMEs, such as low digital literacy and limited access to technology infrastructure. Thus, this paper aims to provide insight for the government and stakeholders in formulating policies that support the digital transformation of MSMEs.

This paper is expected to provide insight into the impact of the e-commerce economy on MSMEs in the digital era, as well as help MSME actors in taking advantage of existing opportunities and overcoming the challenges faced. This paper is also expected to be a reference for the government and other stakeholders in formulating policies that support the digital transformation of MSMEs in a more inclusive manner or access to all MSMEs without exception, especially in increasing access to digital infrastructure and technology literacy. Thus, MSMEs in Indonesia can be more competitive in an increasingly digitized global market.

LITERATURE REVIEW

1. E-Commerce

E-commerce refers to commercial activities that involve the exchange of goods and services—such as the sale, purchase, services, and information to obtain financial benefits through intermediaries, i.e. computer networks, specifically the internet (Kusbandono & Rosyad, 2019). The purchase, sale, and exchange of goods, services, and information using computer networks is known as e-commerce (Wibowo, 2016). E-commerce has a major impact on micro, small, and medium enterprises (MSMEs) in Indonesia. E-commerce adoption has been proven to increase MSME revenue, expand market penetration, and increase marketing effectiveness (Lismula, 2022). This makes product promotion simpler, lowers marketing costs, and speeds up transactions so that it can increase competitiveness (Rakanita, 2019).

2. MSMEs

Referring to Law (UU) No. 20/2008 on Micro, Small, and Medium Enterprises, (2008), MSMEs or Micro, Small, and Medium Enterprises are productive businesses owned by individuals and/or business entities that are not subsidiaries and with the criteria that have been determined in this law. The criteria for MSMEs based on the law are as follows:

2.1 Micro

Have a maximum net worth of IDR 50,000,000 (fifty million rupiah) excluding land and buildings where the business is located or have a maximum annual turnover of IDR 300,000,000 (three hundred million rupiah).

2.2 Small Business

Have a net worth of between IDR 50,000,000 (fifty million) to IDR 500,000,000 (five hundred million rupiah) excluding land and buildings where the business is located or have an annual turnover of between IDR 300,000,000 (three hundred million rupiah) to 2,500,000,000 (two billion five hundred million rupiah).

2.3 Medium Enterprises

Have a net worth between IDR 500,000,000 (five hundred million rupiah) to IDR 10,000,000,000 (ten billion rupiah) excluding land and buildings where the business is located or have an annual turnover of between IDR 2,500,000,000 (two billion five hundred million rupiah) to a maximum of IDR 50,000,000,000 (fifty billion rupiah).

Recent research on MSMEs (Micro, Small, and Medium Enterprises) in Indonesia shows how important these businesses are to economic growth and job creation in Indonesia. MSMEs significantly increase employment, and their stable expansion has a good effect on labor absorption (Hafni & Rozali, 2017). According to Satria and (Satria & Khoirunnisa, 2024), financial inclusion has been shown to have a major impact on the performance of MSMEs, which is amplified by factors such as digital financial adoption, financial literacy training, and technical improvements. However, MSMEs face obstacles to development, such as a lack of government financing for business education (Yosita Vemi Rismawati, 2009). Despite these challenges, MSMEs have proven resilient in times of economic downturn and are critical to strengthening family economies by creating jobs and improving people's well-being through increased access to information technology, healthcare, education, and income (Azhar et al., 2021). In general, MSMEs are very important for Indonesia's social and economic progress.

3. Digital Economy

The digital economy refers to economic activities based on digital technology and the internet. This digital transformation encourages MSMEs to utilize technology in production processes, supply chain logistics, and consumer needs (Fadillah & Fasa, 2021). This concept integrates multipurpose internet-based technology into the business model of goods or services digitally (Maharani & Ulum, 2019). At this time, digital economic literacy is becoming increasingly important to learn (Wahbi, Abdul Aziim & Ariwibowo, 2019). In Indonesia, the digital economy is growing rapidly, with more than 204.7 million internet users at the end of 2021. While digitalization offers benefits such as increased market share and increased transaction efficiency, there are some drawbacks including concerns in conducting digital transactions such as fraud (Rahayu et al., 2022).

Through online transactions, business, communication, and marketing, business actors can expand market reach, gain easier access, and increase competitiveness in this digital era. In addition, the public in general also benefits, such as the creation of new jobs, increased digital skills, and wider access to products and services. Businesses can expand their market reach, gain easier access, and increase competitiveness in this digital era through transactions, business, communication, and marketing carried out online. In addition, the general public also benefits from new jobs, increased digital skills, and wider access to products and services.

REASERCH METHOD

In this research, the approach used is qualitative with a focus on literature analysis. This method aims to understand the impact of e-commerce on MSMEs in Indonesia through the collection and analysis of existing information. The researcher reviewed various literature sources, including relevant articles, reports and previous research to explore the opportunities and challenges faced by MSMEs in utilizing e-commerce. Through this secondary data collection, we were able to identify patterns, themes and factors that influence e-commerce adoption among MSMEs.

The analysis was conducted by collating and categorizing information from various references, allowing the researcher to draw comprehensive conclusions. With this approach, the researcher can understand the broader context of how e-commerce can contribute to the growth of MSMEs in the digital era. In addition, this research also seeks to provide recommendations based on the findings obtained from the literature review, which are expected to help the government and stakeholders in formulating policies that support the digital transformation of MSMEs.

RESULT AND DISCUSSION

E-commerce has transformed the way micro, small, and medium businesses operate around the world, including Indonesia. The presence of digital platforms or e-commerce has allowed MSMEs to expand their access to the market, even to the international market. This can help MSMEs to increase their competitiveness in the midst of global competition that was previously unreachable for small businesses without the support of digital infrastructure.

E-commerce provides many benefits for MSMEs, such as expanding the market, operational efficiency, and product innovation for MSME actors. Studies from Yarlina & Hunda (2021) reinforcing the statement that e-commerce has a significant impact in terms of market expansion because e-commerce makes transactions easier, makes the buying and selling process more efficient, and provides opportunities for MSMEs to implement effective digital marketing strategies to attract consumers' attention. Wirapraja & Aribowo (2018) also stated the same thing that e-commerce allows MSMEs to access a wider market and interact directly with consumers so as to

provide benefits for MSMEs in product innovation. By utilizing digital platforms, MSMEs can efficiently launch their new products and respond to demand from the market while reducing distribution costs.

According Dianari (2018), e-commerce increases economic growth by using digital transactions. Electronic commerce opens up opportunities for MSME products to not only be marketed domestically but also to other countries, so that it can increase trade exchanges between countries. This impact is very significant for developing countries such as Indonesia, whose economies rely on MSMEs.

The benefits obtained from e-commerce are not balanced with the same opportunities for MSMEs due to several obstacles such as limited internet access, low digital literacy of the community, and limited other financial resources that hinder the process. However, MSMEs that have the opportunity to adopt technology and seize more digital opportunities have greater potential to grow faster than MSMEs that are left behind during the digitalization process.

Considering that MSMEs are the cornerstone of the economy of developing countries such as Indonesia, it is important to know what opportunities can be taken advantage of by MSMEs in the e-commerce era. Here are some of the opportunities that can be taken advantage of by businesses or MSMEs in the era of e-commerce (1) Operational efficiency: E-commerce reduces operational costs due to faster transaction processing, reduced physical interaction, and thus automation in many areas of the business, such as inventory control and payment settlement, (2) Access to a wider market: Access to a wider market means that MSMEs have started reaching consumers across the country Indonesia and even abroad with the help of platforms such as Tokopedia and Shopee without having to invest in expensive physical infrastructure, this is one of the factors that helps reduce the gap in the market previously occupied by large companies, (3) Product and service innovation: E-commerce creates a foundation for faster product development through the analysis of consumer behavior and market trends, data collected from digital platforms allows MSMEs to be responsive in designing products according to market demands, (4) Collaboration and partnerships: E-commerce provides a way for MSMEs to collaborate with various business partners, both domestic and international, thus creating mutual support for each other in terms of logistics, payments, and marketing.

Despite having many advantages, MSMEs also have obstacles in their adoption of e-commerce, these obstacles are in the form of (1) Lack of infrastructure access:

Fast internet access and digital infrastructure are still limited in many regions in Indonesia, this results in a gap in the application of electronic commerce, as noted by Sulestiyono et al. (2021), (2) Low digital literacy: Most MSMEs still do not know how to use digital technology. In fact, their lack of understanding of how to use it makes them not take advantage of e-commerce as an opportunity to grow their business, (3) Regulations and rules: One of the biggest reasons why MSMEs cannot fully participate in e-commerce is inconsistent or frequently changing regulations. Regulations related to taxation, logistics, and banking must be clarified to support the development of e-commerce for MSMEs (Nugrah Leksono & Putri Handayani, 2022), (4) Stiff competition: MSMEs that have recently switched to e-commerce now have to compete with big established players in the digital market, which have a competitive advantage in terms of resources and technology.

CONCLUSION AND SUGGESTION

A. Conclusion

This paper concludes that e-commerce can be a very powerful instrument in encouraging the growth of MSMEs in Indonesia by considering the various aspects of opportunities and challenges that have been described. However, without government support in the form of adequate digital infrastructure, increased digital literacy, and conducive regulations, the benefits of e-commerce cannot be felt evenly. In addition to MSMEs' ability to adopt technology, their success in the digital era is determined by a supportive ecosystem, including government policies and access to the resources needed.

B. Suggestion

The following are some suggestions that can be implemented by the government as a policymaker: (1) The government as a policymaker must focus on developing digital infrastructure, especially in remote areas. Adequate infrastructure is expected to make it easier for MSME actors to reach a wider market. (2) Increasing the understanding of MSME actors about digital technology, a training program is needed. This is important so that they can effectively use digital platforms and technologies to market and sell their goods.

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