

Community Partnership Program to Support SMEs Digitalization Program in Indonesia

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Abstract – The Community Partnership Program is a new paradigm in community service activities that solve problems to improve the performance of SMEs through the SME Digitalization Program. This program aims to socialize the SME Digitalization Program in Indonesia. Case study of the implementation of this program for Small and Medium Enterprises in the Jakarta area. The Community Partnership Program activities had also supported by two Program Support Partners. Firstly is a partner who acts in the development of digital platforms, the second is a user partner, namely the SME Community in the Jakarta Area. The problem faced by the SME partners is the limited knowledge of SMEs about business models and the implementation of digital-based platforms. The Community Partnerships Program activities results in this program include education and guidance in business management, introduction, and practice using digital platforms for SMEs Digitalization. This Community Partnership Program has contributed to supporting the SME Digitalization Program from the government in Indonesia, especially during the current Covid-19 pandemic.

Keywords – *Community, Digitalization, Partnership, Program, SMEs.*

I. INTRODUCTION

The era of the COVID-19 pandemic has caused dramatic environmental changes that have driven companies to carry out digital transformation by implementing business digitalization on a wide scale and under time pressure[1]. The era of the COVID-19 pandemic impacted economic instability, and one of the affected is SMEs. Regarding the country's economic growth and positive economic movements, the general public, including MSMEs, must start to move. The Covid-19 pandemic has provided valuable lessons for SMEs. SMEs must always prepare their dynamic capabilities in dealing with various unexpected situations. It is necessary to implement the Digitalization Program by the Government of Indonesia, especially the Ministry of Cooperatives and Small and Medium Enterprises. The limited knowledge of the community and MSME actors in business management supported by digital technology (digitalization) is the root of the problem realized by both SME actors and other related parties. such as the government, academics, banking, communities, and digital technology companies through the Community Partnership Program for the general public or SMEs to deal with various unexpected situations, such as the COVID-19 pandemic.

The Digitalization Program is one of the government's programs so that SMEs contribute significantly to job creation and national economic growth. Digitalization is the use of digital technology to change business models and provide new opportunities to gain new value for organizations[2]. Digitization is not just about acquiring IT equipment and systems, it encompasses a fundamental business dimension[3]. The main goal of digitization or this digital transformation process is to redesign the organization's business through the introduction of digital technology, achieving benefits such as: increased productivity, reduced costs, and innovation[4]. The strategy for developing the SME digitalization program is carried out so that these SME partners

improve their performance and have competitiveness[5]. Digitalization in Indonesia, indicated by the rapid development of the Startup industry in Indonesia, where Indonesia occupies the fifth position number in the world of startups[6]

Today, SMEs by adopting digital technology, are increasingly required to seek growth outside of their national market and opportunities for internationalization[7]. SMEs in Indonesia in 2018 are still low in adopting information technology, amounting to 4.0 % of the total number of SMEs operating in Indonesia[8]. The Small Medium Enterprises (SMEs) in the DKI Jaya Provincial Government, especially the Central Jakarta area, is very strategic to improve the economy of the citizens of the capital. For this reason, the development of SMEs in the Central Jakarta area needs more serious attention to increase the ability of entrepreneurs to compete in regional and international markets.

The implementation of this Community Partnership Program (CPP) can involve two groups of partners, namely Supporting Partners, who support implementing digitalization or digital platforms, and SME Partners, that receive the results of this program for SMEs Digitalization. The Supporting Partners in this PKM activity are PT Mitra Enabler Indonesia (the digital platform is Konekto) and PT Gerbang Transaksi Nusantara (the digital platform is Klubstory). In this community service activity, the CPP Team conducted a study for two MSME partners in the Central Jakarta area, namely Andung TIRANET and Dapur Mak Momos. These two SMEs joined the SME community in the food and beverage sector, which was fostered directly by the Central Jakarta City Government. Currently, the products from Andung TIRANET have been marketed in all areas of Jakarta and even exist in several cities outside Jakarta, and to better maintain their existence and be able to keep up with the times, besides continuing to explore the latest information or update information. Meanwhile, Dapur Mak Momos is an SME in the culinary field that processes various dishes and snacks for all events or activities. Its production management has met the eligibility standards as a large company. This UKM has obtained a Certificate on Food Safety from the DKI Jakarta Government Health Office. Also, have a Halal Certificate from the Institute for the Study of Food, Drugs, Cosmetics, the Indonesian Ulema Council, or LPPOM MUI DKI Jakarta.

General and fundamental problems faced by SMEs in their general business include (1) Limited knowledge of SMEs for understanding how to manage business models using the digitalization applications. SME Partners still do not understand the factors that affect digitization and the impact of digitization on their business, (2) Limited ability to implement digitalization and use of digital platforms by SME Partners, especially in marketing the products produced by SME Partners.

The solution for understanding the Digitalization Program is that SME partners gave education and counseling by the CPP Team regarding the Digitization Model for SMEs with a simple understanding. Digitalization of SMEs can be said to be an expansion that is a solution to maintaining the running of SMEs businesses [9]. Solutions for implementing digitalization with the Digital Platform are provided by SME Cooperation Partners, so MSME partners are given education and training through webinars regarding the digital application platforms.

The implementation of this Community Partnership Program is based on reliable sources of information and studies by academics. According to CNN Indonesia, site information sources in 2020 informed that many SMEs did not think carefully about business model innovation[10]. As a result, SMEs often have difficulty in obtaining financing. Other information[11] explained the Digitization Program from the Ministry of KUKM, the Ministry of Cooperatives and SMEs has a digitization program target of 6.1 million MSMEs per year, reaches 30 million by 2023.

Previous research studies and studies of related academics are used as a basis and reference to understand digitalization-based business models. A previous study on Information Technology adoption efforts to improve the performance of SMEs in Indonesia has carried out by Legowo et al.[8], where the results of this study show that IT adoption has a significant effect on the performance of SMEs. Another study related to the dynamic capabilities of SMEs had discussed in the study of Liliani & Wiliana[12]. The results of this study indicate the SMEs in responding to changes in the business environment must use a dynamic capability approach. According to study findings from Bogavac et al.[13], the implementation of SME digitization had influenced by internal factors and external business drivers. Another finding from the study of Rachinger et al.[14], shows that the digitization of SMEs has a significant effect on business model innovation.

The purpose of community service activities, in the form of the Community Partnership Program, is to develop businesses in economically productive communities to improve business performance through the SME digitalization program. The benefits of the Community Partnership Program through the socialization of the SME Digitization Program are for improving business performance for MSME partners, including:

- (1) Understanding the digitalization-based MSME business model, which is influenced by external driving factors, dynamic capabilities and the impact of obtaining values due to business model innovation,
- (2) Have a method of implementing digitization supported by PKM Team partners for this digitalization socialization program from The Indonesia Government.

Hopefully, the Community Partnership Program for the socialization of the MSME Digitization program has a real contribution to support the government's Digitalization program.

II. METHODS

The research method used is Action Research, where this method used to increase productivity and flexibility by changing the process of improving the SMEs performance with input understand and implement a digital platform that often changed. Action research can be defined as “an approach in which the action researcher and a client collaborate in the diagnosis of the problem and in the development of a solution based on the diagnosis. The process of developing this method be shown in Figure.1.

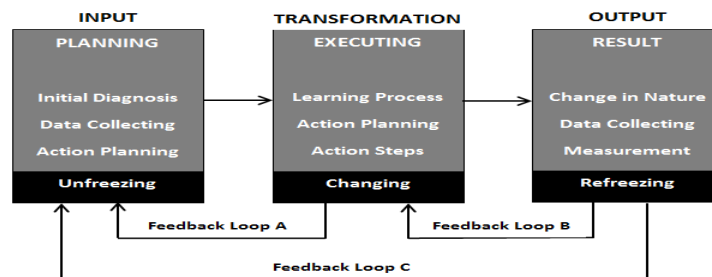


Fig. 1. Action Research Method

To achieve the objectives of the CPP program for socializing the digitalization of SMEs, proper implementation methods must be used and the participation or involvement of CPP partners.

1.1 Methods of Implementing Activities Related to Problems

The method of implementing activities is related to the stages in 2 (two) different problem areas that had been handled by partners, as shown in Table 1.

TABLE I. METHODS OF IMPLEMENTING ACTIVITIES RELATED TO PROBLEMS

No	Problems	Methods of Implementing Activities
1	Limitations of MSMEs regarding knowledge of Business models and digitization	Education and counseling about the Digitalization-based SME Business Model
2	The limitations of MSMEs on the application and use of digital platforms	Presentation on understanding the digitalization model and the practice of using digital platforms

1.2 Methods for Program Implementation and Partner Participation

The CPP Partners are expected to participate in the implementation of activities proposed by the CPP Team, related to what programs are implemented and how CPPPartners participate, as shown in Table 2.

TABLE II. METHODS FOR PROGRAM IMPLEMENTATION AND PARTNER PARTICIPATION

No	Methods for Program Implementation	Partner Participation
1	Provide education and counseling about the Digitalization-based SME Business Model	SME partners coordinate participants, provide places and take part in education and counseling provided by the CPP Team about the Digitalization-based SME Business Model
2	Giving presentations on the application of digitalization and the practice of using digital platforms	SME partners participated in the presentation of the digitalization model provided by the CPP Team and the practice of using digital platforms by CPP Supporting Partners

III. RESULTS AND DISCUSSION

The results of the Community Partnership Program (CPP) consist of the results of the program implementation and the evaluation of the CPP implementation. Furthermore, the results of these results are discussed by the CPP Implementation Team. Survey of SMEs Partners in early 2020 in January (before the Covid-19 Pandemic occurred). In the location of both SMEs partners, namely Andung TIRANET and Dapur Mak Momos in the Central Jakarta area.

1.3 The Results of Program Implementation

These two PKM partners are MSMEs that lead to a productive economy. Priority issues of partners, both production and management for entrepreneurship that was agreed upon during the initial survey. The implementation uses the method of education and counseling and training with mentoring. The implementation of this method was carried out in early March 2020 (before the Covid-19 Pandemic in Indonesia). In education and counseling, we explained related the SME Digitalization Model. The goal is that SME partners understand the factors for consideration in implementing the Digitization Program and the impact that SMEs will get after the digitalization program implementation. This education explains that the digitization of MSMEs is influenced by external business drivers, such as Banks as intermediary institutions[15], Bank Indonesia and OJK as regulators, and Startups, as financial technology supporters. This influence will form an ecosystem that can support financial inclusion. The digitalization of SMEs is affected by the Dynamic Capabilities of SMEs. It is very necessary during the Covid pandemic. SMEs Digitalization can create/change/improve new business models to the impact that SMEs have business model innovations[16], which it indicated by the existence of innovation values, such as value creation, value proposition, and value capture[17]. The model developed is in line with some findings of academics in research journals, it shown in Figure 3.

The solution to overcome the problem of SMEs limitations on the application and use of digital platforms, SMEs partners will be given a presentation on understanding the digitalization model by the CPP Team and the practice of using the digital platform by CPP Supporting Partners. This implementation was conducted through a webinar during the Covid-19 Pandemic. This activity received support from the Ministry of KUKM, PPN/Bappenas, and the Nusantara BUMDES Partners.

In the webinar, an explanation and description of the business model for the SMEs digitalization program given by the CPP Team to improve business model innovation, support financial inclusion to support the recovery of the national economy due to the COVID-19 pandemic. Meanwhile, CPP Supporting Partners provide an introduction and practice of using the digital platform “klubstory” and the digital platform “rarali.com” to support SMEs business.

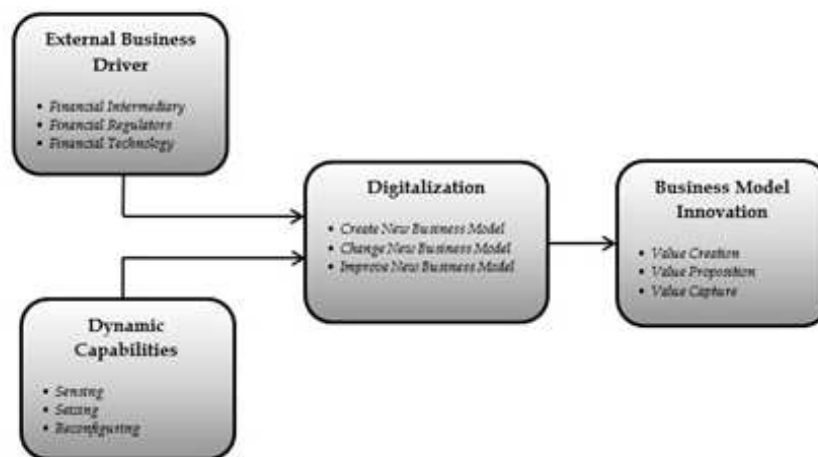


Fig. 2. SMEs Digitalization Model

In the introduction and practice of using digital platforms, “klubstory” emphasizes the convenience and benefits that this platform provides for SMEs. While the rarali.com platform, one of which is to convince SMEs that by using its platform, MSMEs will get a value proposition due to the business model innovation they are doing.

1.4 The Results of CPP Implementation Evaluation

Based on the evaluation results of education and counseling to the introduction and use of digital platforms for all MSME partners, SMEs' understanding of digitalization and business models has increased from 10% to 80% of MSME participants. Meanwhile, during the introduction and use of the digital platform, it revealed that SME players only 10% used it until finally 100% of SMEs used the digital technology platforms from CPP Support Partners. It shown in Figure 4.

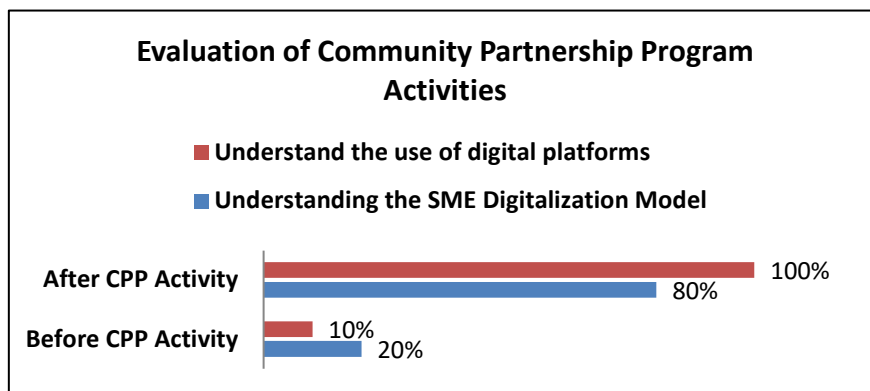


Fig. 3. Evaluation of CPP Activities

1.5 Discussion

In Indonesia, SMEs are the backbone of the national economy, and currently, they must have a competitive advantage in facing global competition. SMEs Digital Digitalization is one of the program that has been accelerated in response to the COVID-19 pandemic that has hit the world since the end of 2019[18]. The Digitalization Program is one of the government's programs so that SMEs contribute significantly to job creation and national economic growth. The Digitization Program launched by the Ministry of Cooperatives and SMEs[11] has a digitalization program target of 6.1 million MSMEs per year so that it reaches 30 million by 2023. The Community Partnership Program is a new paradigm in community service activities that solve problems to improve the performance of SMEs through the SME Digitalization Program. Dynamic capability is the perspective of the ability to fit phenomena in an unstable environment[19]. The study from Rufaidah & Sutisna[20] results show that only 37% of business actors in Indonesia have the dynamic capability to update their competencies so that they can continue to survive in an increasingly competitive business environment. Go-Digital is a program of the Indonesian government, not only by following the latest trends but this program needed

for the real-change of SMEs in doing business. The government has a target of around two million Go-Digital MSME players. It cannot be done alone by the Indonesian government, but in synergy with the business world[11].

The Community Partnership Program, is to develop businesses in economically productive communities to improve business performance through the SME digitalization program. The benefits of the Community Partnership Program through the socialization of the SME Digitization Program are for improving business performance for MSME partners. The implementation uses the method of education and counselling and training with mentoring. CPP Supporting Partners provide an introduction and practice of using the digital platform “klubstory” and the digital platform “rarali.com” to support SMEs business. The introduction and use of the digital platform, it revealed that SME players only 10% used it until finally 100% of SMEs used the digital technology platforms from CPP Support Partners.

This study has implications in theoretical and practices for UKM sector in business model innovations development through digitalization in their organization. Limitations that this digitalisation research paper has study scopes limited to the Indonesian UKM sectors.

IV. CONCLUSION AND RECOMENDATIONS

The Community Partnership Program to support the SME digitalization program in Indonesia, especially in the Jakarta area. This program emphasizes education related to understanding digitalization-based business models through training and mentoring in using digital platforms. This program has an impact on improving the performance of SMEs through business model innovation.

Based on the results of the evaluation of education and counseling on digitalization-based business models, SMEs partners feel an increased understanding of the importance of digitization and business models for MSMEs. It will be in line that SMEs need to think about a business model for their business, according to Indonesia SME Ministry. Based on the evaluation results of the introduction and practice of using digital platforms, MSME partners understand the importance of digitalization in their business. Thus, SMEs will get value from the results of their business model innovations. This activity fully supports the digitization program and target for SMEs from the Ministry of SME, with the slogan "SMEs Go Digital".

The recommendation given in future Community Partnership Program activities is that the Digitalization Program from this government program should involve many parties related to SMEs. In addition to the Ministry of Cooperatives and SMEs to other related ministries, Banks, FinTech companies, and digital platform developers.

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