

Mapping the Condition of SMEs in Indonesia in Adopting Ecommerce

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ABSTRACT

The rapid technological advancement and growing globalization to manifest itself to be part and active participation of the information-economy society. E-commerce for small companies can provide rewards in production, enabling faster delivery of software products, delivering and receiving fast and cost-effective offers, and supporting paperless fast transactions. Of the benefits provided by SMEs will have higher revenues because it has more stores and employees and has a faster cycle of product turnover than unsuccessful SMEs e-commerce.

Keyword: *Ecommerce Adoption, Income, Tangible Factors.*

Introduction

Small and Medium Enterprises (SMEs) have a strategic role in national economic development. In the economic crisis that has occurred in Indonesia, where many large-scale businesses have stagnated and even dismissed their activities, the Small and Medium Enterprises (SMEs) sector proved more resilient in facing the crisis (depkop.go.id, 2016). Entering the era of free trade, competition in the business world is getting tighter. Not surprisingly, the number of Small and Medium Enterprises (SMEs) continues to increase (Perpustakaan.bappenas.go.id, 2016).

Identification of problems

Ecommerce in Indonesia has not been able to really help businesses because of factors such as educated resources and information, awareness, low adoption, limited technological infrastructure and individual knowledge, Scupola (2009: 20). SMEs play an important role in developed and developing countries. It should be noted that various potential benefits can be made with ecommerce, but it is surprising that SMEs adopting ecommerce are still limited, due to the fact that SMEs have different characteristics from large companies, Maya (2016: 23). Different characteristics embedded in SMEs consist of small management teams, strong owner influences, lack of staff in specific areas such as information technology, multi-functional management, limited control over their business environment, limited market share, low employee turnover, risk aversion, and avoid sophisticated software or applications. Such characteristics lead SMEs to be very slow with respect to adopting technology and have more difficulty in taking advantage of the benefits of technology.

Literature Review

Small Medium Enterprises

Menurut Keputusan RI No 99 Tahun 1998 (depkop.go.id, 2016) pengertian Usaha Kecil adalah: "Kegiatan ekonomi rakyat yang berskala kecil dengan bidang usaha yang secara mayoritas merupakan kegiatan usaha kecil dan perlu dilindungi untuk mencegah dari persaingan usaha yang tidak sehat". Menurut Asian Development Bank (adb.org, 2016) yang

diperoleh dari menetapkan batasan Usaha Kecil Menengah berdasarkan jumlah tenaga kerja dengan ketentuan sebagai berikut: 1). Usaha Kecil: jumlah tenaga kerja antara 5 sampai 19 orang; 2). Usaha Menengah: jumlah tenaga kerja antara 20 sampai dengan 99 orang.

Kinerja UKM

The progress of Information Technology should be utilized by Small and Medium Enterprises (SMEs) to develop their business through ecommerce, because the opportunities are wide open and technically easy to run. Teddy Sukardi, Chairman of the Federation of Information Technology Indonesia (FTII) in Agung (2016: 8) said in a conversation with Business News. Utilization of information technology for trade and services or known as ecommerce can be done either for B2B (business to business) that is between factory with raw material supplier or between distributor with dealer; as well as for B2C (business to consumer) such as transportation company with prospective passengers, between hospitals with patients and between traders and buyers.

Tecnology Advancement

Curran and Meuter (2005) in Hashim (2015: 69) stated that getting customers to use new technology can be a challenge, therefore it is important to understand how to design, manage and promote new technologies in order to get consumers to accept the technology. Customers expect a visit to the webstore to be compelling, informative, responsive and personalized. At the same time, e-commerce businesses can attract new customers, convert browsers into buyers, increase the size of each transaction and maintain customer loyalty. OSF Global Service (2016: 4) elements to be considered in technology advancement include: 1). Technology changes 2). Navigation search; 3). Technology support; 4). Back end integration; 5). Security.

Ecommerce Adoption

At the state level, Kaufman and Liang (2007) in Ardianti (2015: 5) mention the factors that contribute to e-commerce adoption is the penetration of Internet users, the intensity of telecommunication investment, and the level of education within a country. The Kaufman and Liang studies are also trying to make a number of models to explain the factors that contribute to the growth of e-commerce. The result can be concluded that the growth of B2C e-commerce is driven by internal factors within a country and also influenced by external factors from other countries that are leading country.

1. Previous Researches

No	Research	Results
1.	Pham et al. (2010)	Exploring the adoption and utilization of ecommerce in SMEs, This study is based on an extensive review of the literature on relevant theories on the adoption of innovation, proposing a successful model of eCommerce adoption in Vietnamese SMEs. The purpose of this study builds a successful model through a comprehensive literature review of innovation adoption.

2.	Abebe (2014)	SMEs in general as a means of understanding how the adoption of e-commerce positively affects the company's performance. Such relationships indicate the adoption of e-commerce is an important factor that can improve the company's internal processes and ultimately performance.
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3.	Scupola (2009)	Providing an indication of SMEs interested in adopting business for trading, large companies are interested in conducting e-commerce transactions with small and medium size companies and policy makers.
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4.	Maupa(2014)	Innovation Diffusion Theory states understand the evolution of the internet and the adoption of web technologies by SME. E-commerce that includes lessons from start-up failures and how industry click-and-mortar can be successful.
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5.	Zaied (2012)	Technical barriers are most important, followed by legal and regulatory barriers, while the lack of Internet security is the highest barrier that hinders e-commerce implementation in SMEs in Egypt followed by the limited use of internet banking.
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6.	Permana, (2014)	Factors influencing the adoption of social media in SMEs: ease, flexibility, and cost. However, the use of social media is also a threat to SMEs.
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7.	Nuryanti (2013)	SMEs gain various advantages in promoting their business, access information on production factors, conduct business transactions, and conduct other business communications globally, in order to expand their business network.
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2.

Hypothesis

Conceptually, the development of SME models in exploiting ecommerce, with the benefits and barriers that arise after adopting ecommerce. So based on the framework that has been described above, then the authors formulate a hypothesis that will be used in research as follows.

Hypothesis 1: Income of SMEs that adopt E-commerce is greater.

Hypothesis 2: Tangible Tangible Factors belonging to SMEs that adopt E-commerce more.

Research Methodology

Population and Sampling

According Sudarmanto (2013: 26) Population is basically a region that will be subject to generalization of a research result. Population is the totality of a certain characteristic determined by the researchers to be studied and drawn conclusions. Therefore a researcher needs to understand how the characteristics of the study population are. The important thing to note is the homogeneity or heterogeneity of a population. The population in this study is the perpetrators of SMEs in the fashion sector in the city of Jakarta. In determining the size of the sample the author uses purposive sampling techniques, with the determination of samples based on certain considerations of SMEs fashion sector and utilize e-commerce media in its business.

Results

1. Description

Group Statistics

ecomAdopt		N	Mean	Std. Deviation
Income	Adoption	64	2.64	.675
	Non Adoption	36	1.53	.736

2.

The table above shows that the number of respondents is 100 SMEs, which adopts 64 e-commerce and have not adopted e-commerce as much as 36.

Hypothesis 1: Income of SMEs that adopt E-commerce is greater.

2. Revenue Factors

Independent Samples Test

		t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval	
							Lower	Upper
Income	Equal variances assumed	7.6	98	.000	1.113	.145	.824	1.401
	Equal variances not assumed	7.4	67.5	.000	1.113	.149	.816	1.410

3.

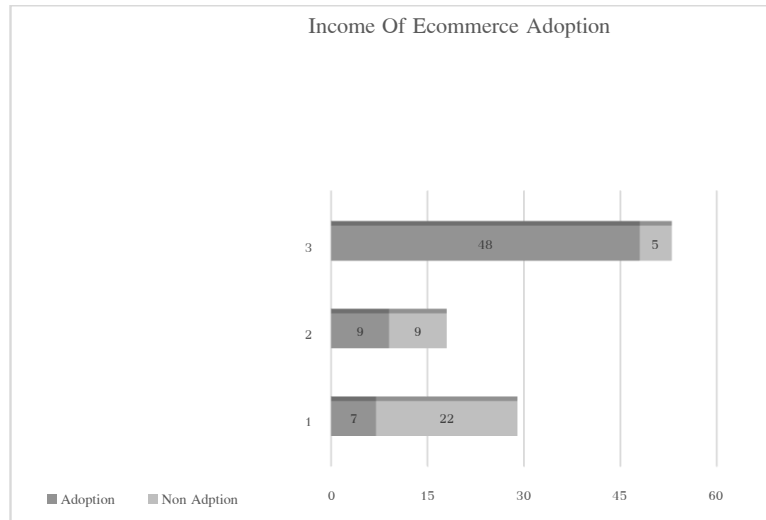


Figure 1. Income of Ecommerce Adoption

From the test results and images above explain as many as 7 SMEs adopt Ecommerce and as many as 22 SMEs do not adopt Ecommerce has revenue less than Rp. 3,000,000. A total of 9 SMEs that adopt ecommerce and 9 SMEs who do not adopt e-commerce have revenue Rp. 3,000,000 - Rp. 6,000,000. While SMEs that have a high income of more than Rp. 6 million more is owned by SMEs that adopt ecommerce that is as much as 48 SMEs. Hence, Hypothesis 1 is accepted that SME revenue that adopted E-commerce is bigger. Hypothesis 2: Tangible Tangible Factors belonging to SMEs that adopt E-commerce more. Tangible factors that owned SMEs consist of the number of stores, the number of employees and the cycle of stock goods turnover. From the figure below we can see that the number of SMEs that adopt Ecommerce has more stores and more employees, and has a faster turnover cycle of stock goods than SMEs that do not adopt E-commerce.

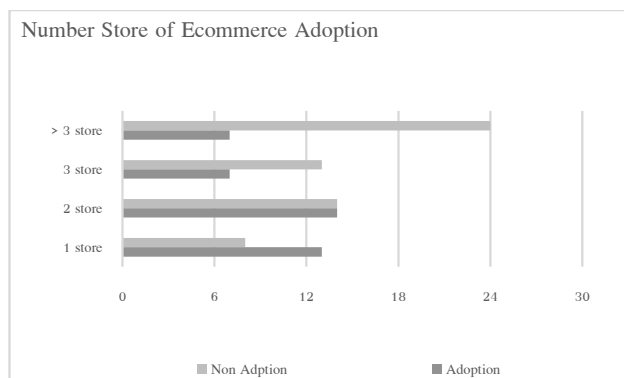


Image 2. Number Store of Ecommerce Adoption

Image 3. Stock turnover Of Ecommerce

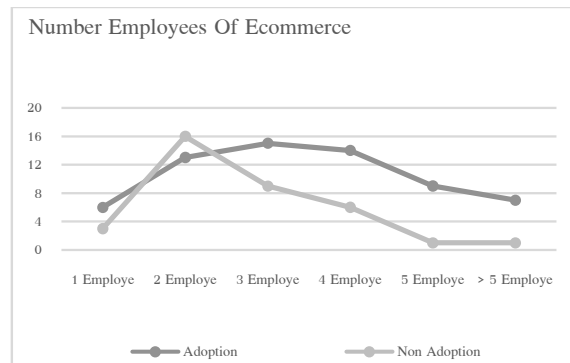


Image 4. Number EmploessOf Ecommerce

Conclusions and Suggestions

Conclusions

The rapid technological advances and the development of globalization require the public to prepare themselves to be part and actively participate in the information-economy society. Utilizing the growth of information technology in running a business or commonly known as e-commerce for small companies can provide flexibility in production, enabling faster delivery of software products, delivering and receiving offers quickly and sparingly, and supporting paperless fast transactions. Of the benefits provided by SMEs will have a higher income (Sasikala et.al 2017) because it has more stores and employees and has a cycle of faster product turnover compared to SMEs that have not adopted ecommerce.

Suggestions

1. For SMEs who have not yet adopted e-commerce, it is recommended to start adopting e-commerce in their business activities because e-commerce provides various benefits to SME's business activities, such as expanding product marketing, ease of connecting with consumers and efficiency of time and cost. Adopting ecommerce is proven to improve the performance of SMEs.
2. For SMEs who have adopted e-commerce, it is advisable to keep updating the website or market place sites that have been owned to be able to keep in touch with consumers in convincing consumers that the SME site is really there and can continue to increase sales of its products.
3. For the government and ecommerce companies are advised to facilitate the creation of web for SMEs, considering there are still many perpetrators of SMEs who are still not familiar with the web, and provide training for SMEs to get to know e-commerce and the ins and outs of marketing through the internet, given the contribution of SMEs to foreign exchange which is quite large.

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