

THE ROLE OF THE GOVERNMENT IN IMPROVING THE DIGITIZATION OF SMES IN THE CITY OF MALANG DURING THE COVID-19 PANDEMIC

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ABSTRACT

SMEs contribute to the gross domestic product, an increase in the number of workers, and the creation of a national foreign exchange. SMEs are also believed to be able to survive in any circumstances, including the current crisis. However, the length of the current Covid-19 pandemic has forced SMEs to struggle to overcome the uncertainty caused by this pandemic. Malang city has various nicknames, one of which is an industrial city. Where the industry is supported by the small and micro industrial sector, and the labor-intensive manufacturing industry. The COVID-19 pandemic has had a major impact on the economy. reduced household consumption, decreased people's purchasing power so that many businesses went out of business. Therefore, the role of the Malang city government is needed to overcome the covid-19 pandemic, one of which is increasing the digitization of SMEs. The study in this study uses a qualitative descriptive approach to the type of case study research. The subjects in this study were the department of industrial and trade cooperatives and SMEs in the city of Malang. The results of the study indicate that the role of the Malang city government in addition to being a regulator is also a facilitator, as well as a catalyst. The Malang city government is also further promoting the digitization of SMEs by adopting digital, social media such as inviting SMES actors to join, Gojek, Grab, and also Jatim Bejo. The study in this study uses a qualitative descriptive approach to the type of case study research. The subjects in this study were the department of industrial and trade cooperatives and SMEs in the city of Malang. The results of the study indicate that the role of the Malang city government in addition to being a regulator is also a facilitator, as well as a catalyst. The Malang city government is also further promoting the digitization of SMEs by adopting digital, social media such as inviting SMES actors to join, Gojek, Grab, and also Jatim Bejo. The study in this study uses a qualitative descriptive approach to the type of case study research. The subjects in this study were the department of industrial and trade cooperatives and SMEs in the city of Malang. The results of the study indicate that the role of the Malang city government in addition to being a regulator is also a facilitator, as well as a catalyst. The Malang city government is also further promoting the digitization of SMEs by adopting digital, social media such as inviting SMES actors to join, Gojek, Grab, and also Jatim Bejo.

Keywords: Government's Role, Digitizing SMEs.

INTRODUCTION

Indonesia is a country that has enormous economic potential, abundant resources, and a large number of workers, not only that, Indonesia also has a fast pace of urbanization. It is not surprising that if there is an economic crisis, Indonesia can immediately recover from this condition. The Planning Bureau of the State Ministry of Cooperatives and SMEs of the Republic of Indonesia stated that SMEs provide various types of contributions. Among them are SMEs contributing to the National Gross Domestic Product (GDP), contributing to increasing the number of workers, as well as contributing to the creation of a national foreign exchange. This is proven by research (Anggraeni et al., 2013)

The total number of SMEs actors in 2018 was 64,199,606 business units or 99.99% of the total business actors. SMEs were also able to increase the number of workers by 116,978,631 or 97% in Indonesia, not only that, even the contribution of SMEs to GDP was able to contribute 57.24% in Indonesia. (OJK, 2020). From this, it can be seen that SMEs have a very strategic role in building the economy in Indonesia.

Malang City is the second-largest city after Surabaya City in East Java. There are 5 sub-districts in Malang, namely Kedungkandang District, Sukun District, Klojen District, Lowokwaru District, and Blimbing District. Malang City has various nicknames, one of which is Malang as an Industrial City. Most of the Malang city's industries are supported by the small and micro industrial sector, and labor-intensive manufacturing industries. The potential of micro, small and medium enterprises in the city of Malang is also very diverse. From food and beverage businesses, fashion businesses, crafts, and others.

The COVID-19 pandemic has had a major impact on the economy. reduced household consumption, decreased people's purchasing power so that many businesses went out of business. Even in 2020, it is estimated that around 48% of MSEs can survive for only approximately three months. And if the covid-19 pandemic is not over yet. So it is estimated that around 80% of micro-enterprises will not have money and 60% of savings. (Hasihan, 2020). The impact of the COVID-19 pandemic has forced the government to further promote the use of digitalization, to encourage economic growth, one of which is by providing encouragement and support to business actors.

The existence of digitalization has proven an increase in economic growth by 2%, an increase in income by 80%, and can open up job opportunities (Priambada, 2015). Therefore, digitalization is used as a solution to increase economic growth. Likewise in Malang City, were to face the industrial era 4.0, the Malang city government has the future of the Malang program, one of which is the digitization of SMEs or SMEs going online. Because SMEs are believed to be able to strengthen the regional economy, especially in the city of Malang.

(Rahayu & Day, 2017) said that the digital economy by SMEs in developing countries, especially in Indonesia, is still said to be below. (Erlanitasari et al., 2019) also said that the digital SMES program is good, but in its implementation, there are still many obstacles, such as human resource factors. Mayor of Malang at a conference held in (CNBC, 2020) convey that currently the problems faced by SMEs in Malang are not only related to capital, lack of literacy and the market is also a problem at this time so

that production and market cannot go hand in hand. The digital literacy survey 2020 by the Ministry of Communications and Informatics is currently happening, the level of digital literacy in Indonesia is still not at the "good" level, the sub-index of information and data literacy occupies the lowest score. Meanwhile, financial literacy at the East Java level in 2019 was at 48.95% with financial inclusion of 87.96%, which was uploaded by OJK in the 2019 national financial literacy and inclusion survey booklet. (Wijoyo & Widiyanti, 2020) in his research also revealed that the digital economic literacy of SMES actors is still said to be low.

The process of increasing the digitization of SMEs requires the role of the government to encourage and support it so that it can run well. Research from (Donbesuur et al., 2020), said that to improve the performance of SMEs actors in this digitalization era, technological capabilities and the role of the government must go hand in hand. 20 of 2008, that the government should empower SMEs and has the authority to increase and develop regional potential. The Department of Cooperatives, Trade, and Industry of Malang City, as the government that oversees SMES business actors, provides training, assistance, and several facilities to encourage the digitization of SMEs during the Covid-19 pandemic era.

Based on the description described above, researchers are interested in knowing the role of the government in increasing the digital economic literacy of SME actors during this pandemic. Thus the author takes the title "The Role of the Government in Improving the Digitalization of SMEs during the Covid-19 Pandemic In Malang City".

RESEARCH METHODS

The increase in digital economic literacy carried out by the government, especially the department of industrial and trade cooperatives for SMES actors during this pandemic, to find out the researchers used a qualitative descriptive approach with the type of case study research. Sources of research data are obtained from primary and secondary data. Primary data were obtained from interviews with the SME department of trade and industry cooperatives and 4 SMEs actors who were selected using a purposive sampling technique, namely SME actors who are currently or have attended training provided by Diskoperindag and have received facilities from Diskoperindag such as business legalization, business license and so on. Secondary data is obtained from data at the trade and industrial cooperatives office, in the form of the number of SMEs in Malang City.

RESULTS AND DISCUSSION

The COVID-19 pandemic has forced SME actors to switch from conventional sales patterns to digitizing SMEs, this is done to survive in these difficult times. Currently, the digitalization of SMEs is one of the solutions for SMEs actors to survive during this pandemic. For this reason, SME actors must have digital and internet capabilities (Purwana, Rahmi, & Aditya, 2017). At this time consumers are accustomed to making decisions in household consumption through digital processes, where this is a challenge and opportunity for SMEs actors. (Donbesuur et al., 2020) said that to improve the performance of SMEs actors, not only the technological capabilities needed, but the role of the government also took part in increasing the digitalization of SMEs.

Malang City is the largest city after Surabaya City, making it a city that has many nicknames, as a City of Education, City of Industry, and even a City of Tourism. The number of schools and universities makes Malang a City of Education, as well as various kinds of industries in Malang, from small to large industries, is one of the reasons why Malang City has become an Industrial City. The distribution of SMEs in Malang City can be said to have been evenly distributed throughout the sub-districts. This can be seen from the table below:

Table: Number of SMEs Actors per District in 2020 in Malang City

No	Kecamatan	Jumlah
1	Blimbing	1892
2	Kedungkandang	1581
3	Lowokwaru	1409
4	Sukun	1954
5	Klojen	191

Source: Diskoperindag, 2020

The table shows that in 2020 the breadfruit sub-district occupies the highest number of SMEs actors in Malang City with a total of 1954 SMEs actors. The second position is occupied by Blimbing sub-district as many as 1892 SMEs actors, SMEs actors in Kedungkandang District as many as 1581 SMEs actors, and in Lowokwaru sub-district as many as 1409 SMEs actors, in contrast to other sub-districts, Klojen sub-district occupies the lowest sub-district with 191 SMEs actors.

The Role of the Government to Increase the Digitization of SMEs

The government's role in increasing the digitization of SMEs for SMEs actors in Malang is in the form of providing facilities and infrastructure, training, and mentoring. In early March 2020, the Indonesian government announced that Covid-19 had entered Indonesia. Since then the government has made various efforts to suppress the impact of the pandemic. It is undeniable that the COVID-19 pandemic has had a serious impact on all sectors, especially the economic sector. Weakening household consumption, weakening investment, and falling commodity prices.

As a result of the impact of the COVID-19 pandemic, the government took quick actions, such as the national economic recovery program, assistance programs for SMEs, BLT, vaccination programs, and so on. The government cooperates with the private sector for education, accompanied by guidance and training for business actors, intending to be able to compete to be able to create a productive market and be able to take advantage of digitalization for business development.

SMEs are believed to be able to support the national economy by providing support and continuously being developed. Malang City Government Department of Cooperatives and Trade provides training and assistance in the form of quality improvement socialization, business product design, and implementation of management systems. This is also following research from (Journeault et al., 2021) One way the government can improve the performance of SME actors is by facilitating and developing five collaborative roles, namely, training, abilities, coordinator, specialist, and financial provider. Research conducted by (Son, 2015) stated that the government's role in developing SMEs was the government's first as a facilitator, which was carried out through various activities such as training, facilities, and infrastructure assistance. And the second is the government as a catalyst, the catalyst, in this case, is in the form of activities such as product promotion which is carried out by participating in exhibitions both nationally and internationally.

The role of the Malang City Cooperative, Industry and Trade Office as a facilitator is to provide training in the form of classes "SMEs business clinics, infrastructure facilities in the form of business certification, PIRT, brands, halal, nutrition testing, and BPOM, and so on. And to get it, the Office of Cooperatives, Trade, and Industry, especially the micro-business sector, business actors must follow the training provided by the service. To increase the digitization of SMEs, the Ministry of Industry and Trade in the field of micro-enterprises has an "SME clinic" program, where SMEs actors not only receive facilities and infrastructure but also knowledge gained from training and mentoring. The SMEs Clinic is a training in the form of classes for discussions whose contents are SMEs actors in Malang City. SMEs actors in Malang City were given insight and understanding regarding the digitization of SMEs. 6 consultants are experts in their respective fields, where consultants provide material and who will hone the intelligence of SMEs actors. The material given to SMEs actors is related to finance, production cost calculations, marketing strategies, online marketing, packaging, etc. The training is carried out in 1 month there are 8 meetings every Tuesday and Thursday. Regarding the catalyst, this was conveyed directly by the protection section of the micro business sector of the Ministry of Trade and Industry of Malang City.

The role of the government in the form of a catalyst that is given to SMEs is in the form of assistance. From this assistance, SME actors are taught to choose good product materials for their business, not only that, if SMEs players' products are eligible to compete with other products, the service will invite SMEs players to take part in exhibitions and exhibitions is one form of catalyst for SMEs actors, namely promotion through activities in the form of exhibitions. The exhibition is a means of communication for SMEs actors in introducing their products by meeting their customers directly, establishing communication and business cooperation with fellow SMEs actors, and improving product image. (Budiyanto et al., 2020). With the exhibition, SME actors can introduce their products more specifically and customers can directly find out the quality of the product. In addition, the exhibition can also provide additional relationships between SMEs actors.

The Malang city government through the industry and trade cooperative service (Diskoperindag) not only provides facilitators for SME actors but also a catalyst by involving SMEs actors in exhibition activities carried out regionally and nationally. Not only that, but the Diskoperindag also assists SMEs actors to assist, evaluate the business that is being run so that their business can develop well. Research from (Anam, 2019) also said that the government's role as a catalyst to accelerate the process of developing SMEs or it can also be said as a fast-moving enterprise. Research with SMEs actors related to the role of government for SME actors. In this pandemic period, SME actors need knowledge related to business development and the City of Malang's trade and commerce agency is currently providing the training needed by SMEs actors, so that SME actors can gain knowledge to develop their business, especially in these difficult times, not only knowledge. What is given from this research, SMEs actors also get facilities for making logos, product photos, brands, even now I have also received halal from the Industry and Trade Office.

From the results of interviews, it has been proven that SME actors in Malang City currently have attended the training held by the Diskoperindag, not only that, SME actors also get a lot of benefits, including being able to increase business relations, business development, and even get brands and halal from service. Research from (Kusumawardhani et al., 2015) said that the survival of SMEs actors at this time is very dependent on the government, where the role of the government for SMEs actors can help SMEs develop more competitively. The meeting of SMEs actors with other business actors can also expand productivity and business marketing.

The material provided in the training is in the form of a SMEs business clinic held by the Malang City Industry and Trade Office in the form of 6 materials, which are related to the financial sector using digital such as how to use the "Buku Warung" for financial reports, HPP calculations and family calculation management, business marketing strategies and legality, online marketing and the last is material related to packaging. However, the product to be marketed must be good packaging or packaging so that it can compete with other products. In line with research conducted by (Astuti et al., 2020), training related to the product packaging and proper product design will make products more valuable efficiently with high selling power.

Currently, to survive and face the challenges of this pandemic, SME actors are already using social media for their productivity. Digital literacy is one of the important roles in the process of sustaining a business and increasing the productivity of SME's activities (Widyastuti et al., 2016). Diskoperindag also invites SMEs actors to use several applications that already exist on social media in the buying and selling process, including Grab, Gojek, Tokopedia and web stores such as Jatim Bejo which includes food and beverage products, rental services, souvenirs, etc. From here, customers can easily find the materials or needs that are needed. In its business process, SMEs need a cellular network, social media. This is because using digital can increase long-term

efficiency(Rakshit et al., 2021). The digitization of SMEs provides many benefits to SME actors, including the extent of market reach that is no longer limited, facilitating communication between sellers and buyers, making it easier for SMEs actors to process consumer data and also profits.

CONCLUSION

The government's role in developing the digitization of SMEs in Malang City is not only as a regulator but also emphasizes more on facilitators and catalysts, where the government provides training "SMEs business clinics as a form of facilitator for SMEs actors. And mentoring and exhibition activities for Malang City's superior products to promote products from SMEs business actors in Malang City. Not only that, to increase the digitization of SMEs, the Malang City government collaborates with academics, start-ups, to provide insight to SMEs actors regarding the use of digital as a solution for SMEs actors to face and survive this pandemic. Diskoperindag also invites SMEs actors to join Gojek, Grab, and Jatim Bejo in running their business.

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