

HAS THE COVID-19 PANDEMIC ACCELERATED THE DIGITAL TRANSFORMATION OF MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES IN INDONESIA?

Abstract. This article examines the condition of Indonesia's Micro, Small and Medium-sized Enterprises (MSMEs) during the COVID-19 pandemic, particularly with respect to carrying out a digital transformation, and whether the COVID-19 pandemic has forced them to accelerate this transformation. This study found that Micro, Small and Medium-sized Enterprises – MSMEs during COVID-19 have been in an unstable state due to the impact of the restrictions imposed by COVID-19-related policies. Nevertheless, MSMEs have been supported by the government, academics, and digital media in efforts to revive and accelerate the digital transformation with a view to surviving. The use of social media has helped MSMEs' programmes and services optimise their business performance. Job simplification was introduced to more efficiently create and reach a broader range of consumers by doing promotion, service delivery, accessing media and cooperating with third parties. The speed at which the digital transformation has occurred is reflected in an improvement in MSMEs' entrepreneurial skills and competencies.

Keywords: *Digital transformation; MSME; Social Media; COVID-19 pandemic*

Introduction

The phenomenon of digital transformation has raised the attention of Indonesia's Micro, Small and Medium-sized Enterprises (MSMEs). To adapt to this transformation, MSMEs must change and create a new business model: a digital business model (Hadiono and Noor Santi, 2020). A digital business model can help MSMEs utilise digital technology in their business

* Vanessa Gaffar, PhD, Professor, Universitas Pendidikan Indonesia, Indonesia; Tika Koeswandi, Master, Associate Lecturer, Universitas Pendidikan Indonesia, Indonesia; Usep Suhud, PhD, Professor, State Universitas of Jakarta, Indonesia.

DOI: 10.51936/tip.59.3.729-744

operations. It has been shown that digital technologies are altering business systems, structures, activities and processes (Verhoef and Bijmolt, 2019).

According to Verhoef and Bijmolt (2019), MSMEs must pass through three stages to achieve success with their digital transformation. The first is digitisation, which means that technology is utilised to change specific business processes, for example, to replace printed information media with digital information media. In this stage, MSMEs in Indonesia have used social media platforms like Instagram, YouTube, Facebook, TikTok, Twitter and WhatsApp (Aisyah Dwityas et al., 2020; Nadzira et al., 2020; Syaifullah et al., 2021). Activities in this stage are promoted in the form of digital posters and short videos. The second stage is digitalisation, where technology is used for particular business functions. While affiliate business has traditionally been done face-to-face, today it can be done simply by including a link in social media posts. For instance, an MSME can include its business page link from e-commerce such as “Shopee” and put it in a social media post on the Instagram platform. Affiliate marketing like this can provide mutual benefits and directly influence purchasing decisions (Batu et al., 2019). After these two stages have been mastered, the last stage of Digital Transformation will optimally create value for customers, the firm itself, and its partners (Hadiono and Noor Santi, 2020; Verhoef and Bijmolt, 2019).

In the digital transformation era, the value creation for MSMEs in Indonesia is closely related to providing customer experiences (Redjeki and Affandi, 2021). This is done through the utilisation of technology, especially social media. Social media have acted as tools to enter the digital world of business for MSMEs since such media reach a broader market digitally, thus increasing sales turnover, and are becoming a platform for branding and establishing communication with the consumer (Putra et al., 2020; Gaffar et al., 2021; Kingsnorth, 2016; Utomo et al., 2019). In addition, with the occurrence of the digital transformation, competencies and skills in technology are needed to be mastered by MSMEs. Digital competence is defined as a person’s ability to use and optimise technology to support business activities (Sari et al., 2019). When MSMEs have proficient digital competencies, this will impact their business competitiveness and improve their performance (Vieru et al., 2015). Thus, competitive MSMEs will be dominant in digital competition on the national and global levels.

Unfortunately, in the last few years, apart from competing in the digital transformation, MSMEs in Indonesia have also had to adapt to the circumstances created by the COVID-19 pandemic. In this period, the Indonesian government has established regulations to govern the community’s social activities. New regulations like Large-Scale Social Restrictions (PSBB) and the Emergency Enforcement of Restrictions on Community Activities (PPKM) are preventive measures for reducing the spread of the virus. Such

regulation leads to changes in business activities for MSMEs and customers (Hafizh, 2021; Rosita, 2020).

These changes have been widely studied, for example by Rosita (2020) who looks at how COVID-19 has impacted Indonesian MSMEs generally and which industries have been able to survive during the pandemic. Meanwhile, Kurniawati et al. (2021) explain the priorities of business innovation during the pandemic through the level of technology adoption and the difficulties facing MSMEs in this time period. In addition, Hartono et al. (2021) present insights into shoppers' adaptive attitude and behaviour as consumers have coped with the pandemic. Unfortunately, there has thus far been no research to empirically prove whether the COVID pandemic has a role in accelerating the digital transformation for MSMEs in Indonesia.

Accordingly, to address the gap in the literature this article asks two research questions: 1) what is the condition of MSMEs in Indonesia during COVID-19 in terms of carrying out the digital transformation? 2) How has COVID-19 accelerated the digital transformation of MSMEs in Indonesia? This research is qualitative in nature and adopts a desk-study approach where the main focus is on studies in Indonesia, acting as a limitation. In the beginning, secondary data like reports, statistical data and journal articles related to the digital transformation of MSMEs in Indonesia and the COVID-19 phenomenon were collected. The data were then analysed using Miles and Huberman's (1994) Triangulation technique, entailing: 1) data reduction (the data were reduced, summarised and classified based on three key drivers of digital transformation according to Farhani and Chaniago (2021)); 2) data presentation (the data were presented in tables); and 3) data verification (the data were verified by synthesising and concluding the findings).

Micro, small and medium-sized enterprises (MSMEs) in Indonesia

Micro, Small and Medium-sized Enterprises (MSMEs) have many definitions and categories. However, MSMEs are categorised based on their annual revenue in Indonesia. A micro business has a maximum initial capital of USD 68,423 or USD 136,846. Small businesses have an initial capital of over USD 68,423 to USD 342,116 or revenue between USD 136,846 and USD 1,026,349 per year. Medium-sized enterprises have an initial capital of between USD 342,116 and USD 684,233 or a revenue of USD 1,026,349 to USD 3,421,166 per year.

Meanwhile, the criteria of MSMEs pursuant to point 1 of Article 87 of the Omnibus Law Cipta Kerja (Ciptaker) are based on Capital, Revenue, Net asset, Annual sales, Investment value, and some additional criteria such as Incentive and disincentive, Environmentally friendly technology, Local content and Number of workers.

According to the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia (2018), by 2018 there were 64,194,057 units of SMEs that consisted of 62,106,900 units (micro-enterprises), 757,090 units (small enterprises), and 58,27 units (medium-sized enterprises). Further, BPS-Statistik Indonesia (2021) claims that the field of SMEs spreads across 18 fields of industry: 1) Agriculture, Hunting and Forestry; 2) Fishery; 3) Mining and Quarrying; 4) Processing Industry; 5) Electricity, Gas and Water; 6) Construction; 7) Wholesale and Retail Trade; 8) Provision of Accommodation and the Provision of Eating and Drinking; 9) Transportation, Warehousing and Communications; 10) Financial Intermediaries; 11) Real Estate, Business, Ownership and Business Services; 12) Government Administration, Defence, and Compulsory Social Security; 13) Education Services; 14) Health Services and Social Activities; 15) Community, Sociocultural, Entertainment and Other; 16) Individual Services, Individual Services which Serve Households 17) International Agency and Other Extra Agency International; and 18) Business Activities, which are not clearly defined.

MSMEs make a significant contribution to the Indonesian economy. In his research, Thaha (2020) lists the contributions of MSMEs to the Indonesian economy as: 1) the number of MSME business units is 64.1 million (99.9%) among total business units in Indonesia of 64.2 million business units in 2018; (2) the number of workers in MSMEs is 116.9 million (97%) from the total of 120.6 million workers in Indonesia in 2018; (3) the contribution made by MSMEs to GDP is Rp. 8,573,895 billion (61.07%) from the total of Rp. 14,038,598 billion; (4) the contribution to Non-Oil and Gas Exports of Rp. 293,840 billion (14.37%) from the total of Rp. 2,044,490 billion; and (5) Contribution to Investment of Rp. 2,564,549 billion (60.42%) for which it is known that in 2018 the total investment in Indonesia was Rp. 4,244,685 billion.

With the increase in GDP, MSMEs have also indirectly been able to absorb labour, to assist local communities in becoming productive and reduce unemployment and poverty rates (Hamzah and Agustien, 2019; Purwandari et al., 2019). The fact that that the COVID pandemic has struck Indonesia challenges the running of MSMEs' business (Affandi et al., 2020; Muhammad et al., 2020).

Ways the COVID-19 pandemic has been affecting MSMEs

At the end of 2019, the spread of the COVID-19 virus was declared a global pandemic (WHO, 2021). Many countries adopted and devised the best strategies to reduce the rate of spread and maintain the pace of the economy. However, in the end, many sectors such as tourism, mining, entertainment, agriculture and services have been affected (OECD, 2020).

The fact that this global pandemic is impacting two-thirds of countries around the world means the economy is under threat and people's welfare is deteriorating. According to the World Economic Situation and Prospects (WESP) as cited in (United Nations, 2021)

mid-2021 report, following a sharp contraction of 3.6 percent in 2020, the global economy is now projected to expand by 5.4 percent in 2021, reflecting an upward revision from the UN forecasts released in January. Amid rapid vaccinations and continued fiscal and monetary support measures, China and the United States – the two largest economies – are on the path to recovery. In contrast, the growth outlook in several countries in South Asia, sub-Saharan Africa, Latin America, and the Caribbean remains fragile and uncertain. For many countries, economic output is only projected to return to pre-pandemic levels in 2022 or 2023.

In Indonesia, the COVID-19 pandemic has impacted various sectors, both positively and negatively. According to the OECD (2020), the COVID-19 pandemic has had a positive and significant effect (6%) on the industrial sector related to health, food and service delivery. Meanwhile, a negative and significant effect (83%) was seen in the industrial sector, such as tourism, mining, entertainment, agriculture and services. Yet, the remaining 11% is known to have seen no impact.

Like the domino effect, the negatively affected tourism industry has also influenced the turnover of MSMEs. The magnitude of the impact on the turnover decline of MSMEs engaged in the micro food and beverage sector reached 27%. More specifically, the impact on small food and beverage businesses was 1.77%, and on medium enterprises it was 0.07%. The effect on handicraft (wood and rattan) businesses on the micro-enterprise level was 17.03%, while for small businesses and medium enterprises it reached 1.77% and 0.01%, respectively. In addition, household consumption was also corrected at between 0.5% and 0.8% (Amri, 2020).

A survey conducted by the private agency Katadata also shows the decline caused by the COVID pandemic on MSMEs in Indonesia. Its survey results reveal that the negative effects imposed by COVID-19 on Indonesia MSMEs are affecting four significant aspects: 58% related to sales decreasing, 23% to financial problems, 15% to product distribution problems and 4% to a lack of supply (Katadata, 2021). Therefore, from the economic growth perspective the COVID-19 pandemic has impacted the country's overall economic growth (Ismail, 2021).

However, in response to these impacts MSMEs can implement survival strategies, such as engaging in e-commerce trading, doing digital marketing, improving product quality, adding services, and establishing and optimising customer marketing relationships (Hardilawati, 2020).

Result and discussion

To answer the research question, the data were analysed with a focus on three key drivers of MSMEs' digital transformation in Indonesia: the use of digital media (social media); job simplification; and the speed of change (Farhani and Chaniago, 2021), with the following findings being obtained:

1. The utilisation of digital media: social media

The utilisation of digital media in this discussion focuses on social media. Tuten and Solomon (2013: 24) define social media as “the online means of communication, conveyance, collaboration, and cultivation among interconnected and interdependent networks of people, communities, and organizations enhanced by technological capabilities and mobility”.

The first social media developed was Line, created in 2000. Over the past 18 years, 17 social media establishments have been created, some were acquired, while 4 stopped operating (Path, Vine, Friendster, Koprol). They may be categorised as having four different functions: 1) social networking (Facebook, LinkedIn, Google+), Microblogging (Twitter, Tumblr); 2) photo sharing (Instagram, Snapchat, Pinterest); 3) video sharing (YouTube, Facebook Live, Periscope, Vimeo); 4) messaging (WhatsApp, Line, Facebook Messenger) (Datetovisual, 2021). According to the Ministry of Information and Communication of the Republic of Indonesia (Kominfo, 2019), social media users in Indonesia are in the 16–64 years age range and there are 63 million Internet users, among whom 95% are active users of social media like Facebook, Twitter and Instagram. These data represent an opportunity for MSMEs to develop their business by optimising their use of the features of each platform.

In general, MSMEs use social media reach a broader market digitally, increase sales turnover, and provide a platform for branding and establishing communication with consumers (Putra et al., 2020; Gaffar et al., 2021; Kingsnorth, 2016; Utomo et al., 2019). Yet, during the COVID pandemic the urgency of MSMEs using social media in Indonesia has been based on the following reasons: a) consumers are active on social media; b) the easy contact with consumers; c) to increase brand visibility; d) by acting as the widest WoM container; e) the need to have many types of platforms with different types of consumers; f) assisting in the targeting and retargeting of consumers; g) the need to use media more effectively; and h) to increase sales (Nurjaman, 2021).

Moreover, in response to the impact of the variety of social media users during the COVID-19 pandemic several social media applications have developed their programmes and services to optimise relationship with

individual and business users. The adaptation strategy used is to develop social media services, designs and features based on a customer orientation. Therefore, this application was generally built to be a community communication platform. Hence, during the COVID-19 pandemic social media service providers also 'picked up the market' by opening premium business account services such as Instagram for Business, Facebook for Business, and TikTok for Business (Novita et al., 2021).

The role of social media for MSMEs during the pandemic is becoming increasingly vital. Social media have become tools for entering the digital world of business for MSMEs as they reach a broader market digitally, increase sales turnover, act as a platform for branding and establishing communication with consumers (Putra et al., 2020; Gaffar et al., 2021; Kingsnorth, 2016; Utomo et al., 2019). Social media features are created to facilitate market needs and trends with the technology. As promotional media, social media function to scale up the MSMEs. By using social media, MSMEs are helped to expand the network among consumers and also to increase product sales (Nurjaman, 2021).

Regarding social media and business ethics, MSMEs in Indonesia are regulated by Law Number 19 of 2016 concerning Information and Electronic Transactions (UU ITE). This regulation clearly emphasises that MSMEs cannot utilise social media irresponsibly. Some limitations must be considered, including the forbidding of sharing false data and spreading false content, ensuring the confidentiality of their own data, and maintaining a social media code of ethics by not engaging in hate speech and race. Violations are specified, with penalties of up to IDR 1 billion. The setting of the code of ethics and regulations is a well-thought-out step taken by the government to ensure that digital business ethics can be carried out in a inclusive manner.

Further, the key drivers of social media use, according to Syaifullah et al. (2021), are compatibility, perceived usefulness, and perceived ease of use. Syaifullah et al. (2021) note that the social media of Indonesian MSMEs during the pandemic have been aimed at marketing purposes. This has had a positive effect on the performance of MSMEs, especially by way of increasing sales, customer relationships, productivity, and creativity. It was then concluded that the better the management of social media for marketing, the better the performance of MSMEs.

The findings of this research are supported by the results of a survey conducted by the private agency Katadata of Indonesian MSMEs, which summarise the utilisation of social media during the pandemic. It is shown that about 60.2% of Indonesian MSMEs were intending to reach the product market through social media, 57.8% had social media purposes, 54.4% sought to promote a product, 44.7% to find information for business development, 35.9% to finds a supplier, 34% to reach a product market through

the marketplace and 22.7% to send emails and instantly message consumers (Katadata, 2021).

In addition, various parties like the government, academics, and other practitioners in Indonesia have been trying to improve the MSMEs' competence and literacy in the field of digital marketing, primarily social media. For example, conducting the training of MSMEs through the hybrid method, incentive assistance with MSMEs, the ABCD method (Asset-Based Community Development) and promotion strategies through social media (Veranita et al., 2021; Ridwan et al., 2021; Rizkandini et al., 2021; Madusari et al., 2021). The results of this training and assistance show that the digital literacy programme for social media provided to MSMEs during the pandemic has increased MSMEs' digital capabilities, denoted as an MSME understanding the skills needed for operating social media, interpreting its business cores in digital format, and informing consumers in the high category (Asy'ari, 2019; Roosinda et al., 2021; Zahro, 2022). This increase in digital literacy has also positively impacted sales turnover (Zahro, 2022) and holds implications for sustainable business potential (Aulia, 2021).

2. Job simplification

One of the factors driving the acceleration of the digital transformation is job simplification (Farhani and Chaniago, 2021). During the pandemic, job simplification has been defined as the shifting of activities to a simpler and not highly complex model (Casalino et al., 2019). Job simplification is caused by changes in consumer behaviour. Yuswohady (2021) called this change the Four Megashifts of Consumer Behaviour during COVID-19. The first shift is "a new lifestyle of living at home while working, living, socializing activities due to social restriction policy". Hence, new terms such as work from home (WFH) and school from home (SFH) have emerged to minimise direct human contact with the help of media technology to simplify it. During the pandemic, meetings have been held via the Zoom or Google Meeting applications. Meanwhile, for MSMEs, consumers have become accustomed to shopping through direct question-and-answer features such as IG Live. Implementing promotions through social media features such as IG Live has facilitated promotional activities, particularly the simplification of promotional budgets, places and promotional media.

The second shift refers to Maslow's pyramid, "consumers are now shifting their needs from the top of the pyramid (self-actualisation and esteem) to the bottom of the pyramid (food, health, safety) which leads to the third shift, a new society full of empathy, compassion, and high solidarity". These two shifts mean that policies restricting community activities also impact the slowing pace of economic activity. Several countries like Indonesia, India

and China claim that after the pandemic struck their country the economic slowdown occurred in the 3rd and 4th quarters (WHO, 2021). This worked to raise the awareness of many philanthropists, activists and communities of the need to conduct social and solidarity activities.

The last shift, according to Yuswohady (2021), is “avoid physical contact and switch to virtual/digital media”. In this phase, the changes that occur are in business activities or transactions. Before the pandemic, consumers would visit a store to buy a product. However, they have preferred to see the digital catalogue provided on social media during the pandemic and to then ask MSMEs to send the selected product through their delivery system (Afis and Handayani, 2020). In their research, Sadikin and Susanti (2020) noticed that during the pandemic there has been a rise in the number of online orders, with this having a significant impact on job creation in Indonesia and innovation in the use of technology.

Based on these four mega shifts, it may be concluded that job simplification has been underway in MSMEs in Indonesia during the pandemic in the forms of: 1) promotional activities that are carried out more efficiently on a budget and can reach a broader range of consumers; 2) process information services and delivery that are more efficient, simpler, and cut operational channels; 3) information media that are easy to access; and 4) cooperation with third parties (delivery couriers).

3. Speed of change

Here, the research focuses more on the likely speed of change in terms of digital economic growth in Indonesia during the COVID pandemic. Digital economic growth is a term first introduced by Tapscott (1998; cited in Setiawan, 2018) as a socio-economic phenomenon that optimises the social phenomenon that affects the economic system’s development by utilising various forms of access to information instruments, information capacity and information processing. This concept will provide a good opportunity for Indonesia when technology can be used optimally, which will help to improve the economy. Several areas that have become antecedents for such growth are the development of goods and services, production, sales, and supply systems whose processes depend on technology (Setiawan, 2018). The terms effective and efficient are the key words in the speed of change in digital economic growth. This is because, according to Setiawan (2018: 63), “the characteristic of the digital economy is conducting global trade and cutting many intermediary chains”.

There are three ways to increase digital economic growth: encouraging entrepreneurship, developing international collaboration for the digital economy, and increasing high-speed Internet connectivity (Cakranegara,

2020). A description of how these three ways have been implemented during the pandemic, especially in Indonesia, now follows:

1) Encouraging entrepreneurship

During the pandemic, several parties, such as the government, have carried out programmes for encouraging entrepreneurship. Through the Ministry of Information and Communication of the Republic of Indonesia, the government created a Digital Entrepreneurship Academy programme that provides training and motivation to prospective entrepreneurs and professional entrepreneurs. The material provided is in the form of a focus on increasing digital skills and competencies so as to provide a competitive advantage for entrepreneurs during the pandemic. Literacy content is also created through Instagram using the @digitalent.kominfo account to foster motivation to become a digital entrepreneur. Damaria (2021) states that the attractiveness of content influences entrepreneurial motivation by 56.9%. This shows that @digitalent.kominfo's literacy content is educational, credible and motivating.

Moreover, Usman and Projo (2021) explain that the acceleration of digital economy growth in Indonesia has also been supported by providing training and motivation for people with disabilities. This is acting to strengthen the national economy in line with the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs) procedural and substantial justice.

2) Developing international collaboration for the digital economy

In this research, the international collaboration discussed is limited to the collaboration of MSMEs with international e-commerce. Many collaborations between MSMEs have been found at the national level. Nevertheless, during the pandemic collaboration with e-commerce has grown significantly (Purwandari et al., 2019). The Ministry of Communication and Informatics (2016), as cited in (Rumata and Sastrosubroto, 2021: 5), states that "the variance of existing e-commerce business model in Indonesia is as follows: (1) Classified Ads/listing (e.g., olx.co.id, Berniaga, FJB-Kaskus); (2) Marketplace (e.g., Tokopedia, Bukalapak, Lamido); (3) Shopping malls (e.g., Matahari Mall); (4) B2C online shop (e.g., Berrybenka, Zalora, Lazada, Sociolla); and (5) Online shops on social media (e.g., Facebook, Instagram)".

Among the above classifications, one international collaboration carried out by Indonesian MSMEs during the pandemic is with an e-commerce platform called "Shopee". Shopee is an e-commerce platform originating from Singapore which is currently in demand by consumers in Indonesia. Many

MSMEs have collaborated to become Shopee partners and have online stores in place during the pandemic. According to Purwandari et al. (2019), four factors have influenced MSMEs to join in e-commerce during the pandemic: Competitive Pressure, Perceived Benefit, Top Management Support, and Vendor Support. These four factors are becoming important factors following the transformation of the conventional market to digital, which causes ever tougher competition. The benefits obtained through the use of e-commerce are also being obtained more by MSMEs than before. This is because, according to Wahyuni et al. (2019, as cited from Kurniawati and Al Siddiq, 2020)), e-commerce is a new technology that can help an MSME innovate in the pandemic era and strengthen its management function in the areas such as marketing, human resource, finance, and business operations. Rumata and Sastrosubroto (2021) add that Indonesia is acknowledged to have tremendous digital economy potency from an international perspective.

Moreover, a study by Syamruddin et al. (2021) states that the COVID-19 pandemic has changed business activities and transactions from offline to online, where the author identified more than 1 million new users of e-commerce during the COVID-19 pandemic. Syamruddin et al. (2021) highlighted that Indonesia's Internet traffic experienced annual growth of 73% in the first quarter of 2020, rising to 139% in the second quarter of 2020. Such figures allow the conclusion that Indonesia's digital transformation has been faster than the other countries in the ASEAN region during the COVID-19 pandemic. Syamruddin et al. (2021) notes that the rapid digital growth has been triggered by the government policy of social restrictions that has led to an increase in digital shopping and online transactions. These actions have encouraged MSMEs to innovate and adapt their business operations.

3) Ensuring high-speed Internet connectivity

In terms of assuring more widespread high-speed Internet connectivity, the Indonesian government has improved the quality of telecommunication and information media. According to Suryadinata (2020), as cited in Purbasari et al. (2021: 170), "The Ministry of Information and Communication has determined the construction of the Palapa Ring a major project that must be completed. This project is categorised as having three network development stages: backbone, middle-mile and last-mile." The project has partnered with cellular operators to promote mobile broadband networks, while increasing Internet connectivity speed to the 5G technology impacts wider network affordability. This means that MSMEs located throughout Indonesia can obtain good internet access.

To sum up, this study has identified the condition of MSMEs during

COVID-19 as unstable due to the impact of the restrictive COVID-19 policies. The COVID-19 pandemic has acted to pressure MSMEs to accelerate their digital transformation in terms of developing their own programmes and services and optimising their business performance. This has also led to job simplification whereby MSMEs have more efficiently captured a broader range of consumers by doing promotions, service delivery, accessing media and cooperating with third parties. In addition, the speed of change is an outcome of boosting the MSMEs' entrepreneurial skills and competencies. In order to achieve these accomplishments, MSMEs have been supported by several parties such as the government, academics and digital media.

Conclusion

This study concluded that MSMEs have a significant and vital role to play in the Indonesian economy, particularly in the number of business units, job creation, national GDP, non-oil and gas exports, and investment that has been impacted negatively and significantly during the pandemic. Nevertheless, other factors are also responsible for the decrease in the country's economic growth, such as sales turnover.

On the other hand, this study also showed that in terms of digital transformation the COVID-19 pandemic has urged the MSMEs to accelerate their transformation. This is supported by the results of analysis of three key drivers for digital transformation, where it was found that the collaboration of the government, academics and e-commerce has been crucial for improving MSMEs' digital literacy and fostering the motivation to become digital entrepreneurs.

The digital transformation is currently running according to the suggested stages: digitisation, digitalisation and transformation. The role of social media as a marketing tool can therefore be optimised by MSMEs during the pandemic. Government regulations regarding the code of ethics in interacting with businesses in the digital world have helped MSMEs to understand and perform business activities that are in line with this principle. The COVID-19 pandemic has also helped MSMEs by way of 'shaping' consumers' 'new behaviour', which has helped to simplify processes, budgets, and business operational channels. The international cooperation built by MSMEs with e-commerce has achieved the goal of broader market reach. The government knows that MSMEs provide good digital economy potential where it continues to develop high-speed Internet connectivity services in the hope that MSMEs in all corners of Indonesia can become part of the agent of change. Thus, the speed of the digital transformation can also be ensured by MSMEs *en masse* during the pandemic.

Finally, three suggestions are proposed based on this research. Namely,

it is recommended that: 1) MSMEs always be able to: improve digital literacy skills regularly to assure that the latest digital competency issues and skills have been acquired, continue to contribute to increasing Indonesia's digital economy growth through sustainable entrepreneurship motivation, and develop international collaboration for the digital economy; 2) the Indonesian government develop digital literacy programmes aimed at increasing the competitiveness of MSMEs on the Southeast Asian and international level as well as digital literacy education programmes for MSMEs regarding cyber fraud that could threaten the business sustainability of MSMEs in Indonesia; and 3) further research be undertaken to examine the preparations of MSMEs in the post-COVID 19 era and how this era is helping to improve the digital transformation of MSMEs in Indonesia.

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