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THE INFLUENCE OF DIGITAL BUSINESS TO INDRAGIRI HULU ECONOMY

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Abstract

The economic component of digital business is built on the usage and empowerment of digital information and communication technology. The digital economy in Southeast Asia is quickly expanding, as is the market potential. The goal of this study is to determine the influence of the digital business economy in the development of Indonesia's modern market economy. The technique employed is library research or library research. Findings of this study shows the existence of digital trade produces creative quality presentations, one of which is better negotiations, in the presentation of delivery or business style, so the industry is currently required to adapt in order to cope with current and future businesses. Modern and traditional marketplaces cannot coexist because both are vital to the Indragiri Hulu Regency.

Keywords: Digital Business, Indragiri Hulu Economy

INTRODUCTION

According to UU Nomor 20 in 2008 concerning Micro, Small, and Medium Enterprises, empowerment of MSMEs is a collaborative effort by the Government, Regional Governments, the Business World, and the community in the form of climate growth and business development so that they can grow and develop into successful businesses. rugged and independent.

According to Purwana et al. (2017), the digital world is expected to be a critical point for all human activities, including economic operations for MSMEs. According to Barus et al. (2020), MSMEs must be able to live with technology in order to adapt to industrial advancements in the 4.0 age. Furthermore, Amelia et al., (2017) stated that a unique strategy is required in order to boost the competitiveness of MSMEs through the use of information and communication technology in the face of increasingly harsh economic competition. SMEs are expected to use technology as broadly as possible in order for enterprises to progress and develop swiftly.

On the other hand, One of the repercussions of information technology development that has resulted in huge digital transformation is the spread of business on e-commerce platforms, specifically the growth and development of digital enterprises joining the field. Wholesale and retail trade, automotive repair and maintenance, hospitality and gastronomy, mining and quarrying, processing sector, and other service companies such as transportation and warehousing are all examples of industries (Nata and Haryono:2022). The impact of digital revolution on society and the economy has been complicated and interconnected. As a result, numerous parties, both public sector decision makers and private sector business actors or the private sector, choose or make efforts to build new company strategies. The ideal way for businesses to optimize the added value of their products is to create a digital platform as part of their digital transformation. Based on the issues raised above, the purpose of this essay is to assess the role of the digital economy in the development of modern markets in Indragiri Hulu.

LITERATURE REVIEW

Digital business

According to Undang-Undang Nomor 112 Tahun 2007, a market is a place where many people buy and sell the things they sell. The two buying and selling parties are known as trade centers, classic towns, shops, and trading sites; their locations and titles are the same. The contemporary market is dominated by modern management, particularly in metropolitan areas, as a supplier of high-quality goods and services to purchasers (often AKM). As stated in the National Conference Papers on Traditional Market Development, he provided examples from modern markets such as shopping malls, supermarkets, department stores, department stores, malls, franchises, small supermarkets, department shops, and others.

The creation and exchange of value, transactions and relationships between agents of a mature economy using the Internet as a method of exchange are all examples of digital business. The general population, economic players, and even government agencies must have the infrastructure, education, and talents, as well as a digital cultural attitude, to be digital users. To comply with regulations and intelligently filter available information, it is critical to make reasonable use of all communication networks, applications, and even current Big Data (Wibowo, 2018).

The digital era is expected to be a watershed moment for all inhabitants' and enterprises' operations. A variety of methods were used, including an increase in electronic marketing, an increase in smartphone users with easy internet access, an increase in data power backed by

telecoms infrastructure that was fixed, and the release of facilities. Significant advancements in technology have an impact on marketing. Modern marketing in the mobile era, which was formerly done face-to-face, can now be done indirectly. (Sulaksono, 2020)

RESEARCH METHODS

This article's research approach is library research or library research. This research is carried out by gathering all of the information and data using various materials available in the library or on the internet, such as reference books and prior research results. Texts, articles, notes, and journals relating to the topic to be tackled (Sari and Asmendri, 2020)

In this study, descriptive quantitative methodologies were used, and the population consisted of all MSMEs in Indragiri Hulu. This study employs the Nonprobability sampling approach, which is a sample collection methodology that does not provide equal possibilities to each member of the population chosen to be sampled (Sugiyono, 2016). various factors (Muvidah & Andriani, 2022).

The following criteria were utilized to choose the sample: (1) Indragiri Hulu Business Actors (2) Having a Turnover of less than 5 million rupiah (3) Using the internet, social media, or e-commerce as a sales channel. In accordance with the sample data of MSME actors based on the criteria that have been selected, there are as many as 250 members, thus in this study, a questionnaire will be issued to all respondents in Indragiri Hulu.

The Likert scale is divided into five point categories: strongly disagree (STS) with a score of one, do not agree (TS) with a score of two, neutral (N) with a score of three, agree (S) with a score of four, and strongly agree (SS) with a score of five.

The impact of the digital economy on MSMEs' income in Indragiri Hulu

The digital economy is a purchasing and selling transaction activity in which sellers and buyers interact via the use of technology. In general, they use the internet as a transaction medium (Syikin et al., 2020). The digital economy is a strongly debated phenomena that is currently the center of attention.

The digital economy makes it simple for all company actors to improve sales by leveraging the internet as a sales medium on marketplaces, social media, and other markets. This can be done by all business actors, particularly micro and small industries looking to boost their income in Serang. As a result, the following hypothesis was tested in this study:

H1: The digital economy influences the Indragiri Hulu Economy.

The role of digital literacy as a moderator variable in the influence of the digital economy

on MSMEs' income in Indragiri Hulu.

The ability of MSME actors in digital literacy includes components in understanding and using applications as media for conducting online marketing, with the goal of increasing the profits of the business being carried out (Gilster 2011). MSMEs that are digitally literate not only use digital media for business purposes, but also integrate them into their daily activities, such as online promotion or marketing, to have a beneficial impact on business development.

Understanding how to use social media as a promotional medium or how to sell goods in the marketplace will have a positive impact on sales. According to the explanation of the theory above, digital literacy is expected to strengthen the influence of the digital economy and income, so the hypothesis put up in this study is;

H2: Digital literacy strengthens the influence of the digital economy on income for MSMEs in Indragiri Hulu.

FINDINGS AND DISCUSSION

According to Suprihadi et al. (2016)'s research, MSME players in Indragiri Hulu can boost their competitiveness in a variety of ways, including developing marketing networks and improving their mastery of information and communication technologies. According to Slamet et al. (2017), the government has undertaken steps to promote access and transfer of technology in order to develop creative MSME actors, especially through the use of information and communication technology.

A strategy that can be carried out by the government is required to prepare rules or regulations that can predict or minimize potential disparity, particularly inequality that leads to critical issues. The government's approach must be viewed through three lenses: social/people, processes (regulations, business models, business processes, and governance), and technology. In this regard, the government must create policies and regulations to anticipate these changes in order to avoid problems and imbalances that could lead to major issues.

Because the presence of digital commerce provides innovative quality presentations, one of which is better negotiations, in the delivery presentation or business style, the industry is today required to be able to change in order to cope with existing and future businesses. Because of the availability of virtual kiosks, it is considered that commerce in products and services is a virtual approach, specifically online. However, it appears that the development of the internet has also resulted in different conflicts. Various disputes might emerge as a result of virtual purchases, such as incorrect product levels and dishonesty resulting in consumer

payment cancellation (Muhammad, 2022).

In terms of zoning between traditional and modern markets, regional regulations governing area usage and control elements are developed for each designated area in accordance with a defined spatial plan. The construction of a modern market must meet requirements such as the socioeconomic conditions of the people in impacted areas, the existence of traditional markets, and the presence of small and medium-sized businesses. Even when building traditional markets, consideration must be given to the socioeconomic class of the people living in the region, as well as the presence of traditional markets, shopping malls, modern stores, and small enterprises.

Future entrepreneurs now have more opportunities thanks to the digital business ecosystem. Everyone can use digital to expand their business, earn profits, and fulfill the life of the business operator. In the future, he will serve as a role model and demonstrate his efforts in assisting the growth of outstanding trade for the people of Indragiri Hulu.

Lots of MSMEs are developing their businesses using internet-based technology, such as: creating websites to do digital marketing to having E-Commerce. In fact, digitizing MSMEs is considered to have many benefits in Indragiri Hulu. They are:

1. Extending reach

The digitalization of MSMEs enables enterprises to expand their marketing reach and even reach out to remote areas of the country. MSMEs can also reach an expanding number of smartphone users. As we all know, changes in the lifestyles of consumers who favor online purchasing over traditional shopping have resulted in significant benefits for MSMEs. This means that MSMEs can sell their products using websites and mobile applications.

2. Boost revenue

Certainly, the greater a company's marketing reach, the greater its income. This is because the greater the marketing reach, the greater the gain in sales. Particularly if SMEs use social media to sell their products.

3. Make transactions easier to complete

MSMEs and consumers will benefit from digital payments. Hello, return!

4. Adhering to the trend

MSMEs must adapt to changing consumer patterns in order to remain competitive.

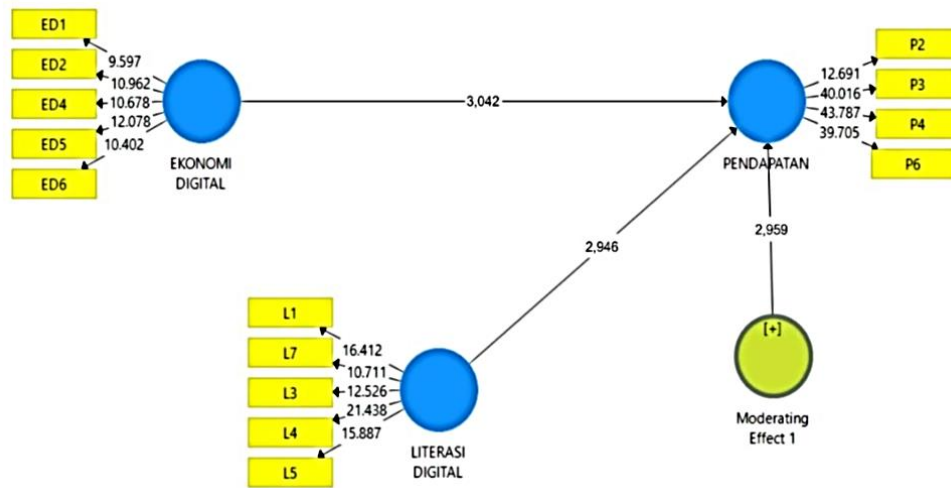


Figure 1 Inner Model

Source: Smart PLS 3.0 Outputs

Determination Coefficient (R-Square)

The coefficient of determination (R-Square) in PLS can be used to evaluate the structural model. In good endogenous variables, the magnitude of the R-Square value is more than 0.33 (Hakim et al., 2017). Table 1 shows the R-Square value for this investigation.

Table 1 R Square

	R Square	R Square Adjusted
Pendapatan	0,672	0,644

Source: Smart PLS 3.0 Outputs

According to table 1, the R-Square value of the Income construct is 0.672, implying that the digital economy (y) may explain the Income construct (y).

Hypothesis testing

To confirm the hypothesis on the Smart PLS output, compare the T-statistic and T-table values. So, if the T-statistic value is greater than the T-table, it signifies that the research hypothesis can be supported with a confidence level of 95% (5% alpha), and the T-table value for the two-tailed hypothesis is greater than 1.96 (Abdillah & Jogiyanto, 2015). If the research has a P-Value of 0.05, the hypothesis is supported (Rachmawan et al., 2020). Table 2 shows the outcomes of evaluating the research hypothesis:

Table 2 Hypothesis test

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
Ekonomi Digital -> Pendapatan	0,175	0,182	0,057	3,042	0,002
Literasi Digital - > Pendapatan	0,173	0,179	0,059	2,946	0,003
Efek Moderasi -> Pendapatan	0,162	0,153	0,072	2,959	0,001

According to table 2, the first hypothesis tested in this study is the effect of the digital economy on the income of MSMEs in Indragiri Hulu. The t statistic value from the SmartPLS 3.0 software test findings was $3.042 > 0.67521$ (T table) with a significance level of 0.002. As a result, research into digital economic variables has a favorable impact on revenue. This study's moderating variable is digital literacy. With a significance threshold of 0.001, the t statistical value was $2.959 > 0.67521$ (T table). As a result, research on digital economic variables on income can be supplemented with digital literacy variables. The availability of technology that is becoming more ubiquitous and faster, together with perpetrators' digital literacy, will boost the effectiveness of the digital economy itself.

Following the validation of the aforesaid hypothesis, it is possible to conclude that the digital economy has a considerable impact on the income of MSMEs in Indragiri Hulu. Knowledge of the digital economy is required in determining the success of a business so that in its business activities, it can increase income which goes in a better direction, so that the business can be sustainable because of the digital economy factor, especially now that digital technology is developing at a rapid pace and has become the main key in attracting customers and promoting the product. Marketing is one of the most difficult difficulties that MSMEs have in their business operations; a lack of market information makes it tough for these MSMEs to expand their sales. As a result of the expansion of the digital economy, the marketing process for MSME actors can occur effectively and efficiently, enabling high sales levels and tremendous potential for high income. The results are consistent with the Digital Economy Variable, which has a favorable and large impact. In this study, digital literacy is a moderating variable in the association between the digital economy and income for MSMEs in Indragiri Hulu.

The greater one's digital literacy, the stronger the link between the digital economy and

revenue. Digital literacy is a vital talent, similar to that of a driver who requires a driver's license; one could even argue that it is a survival skill. Even as a business actor in the MSME sector, you must be digitally literate.

CONCLUSION

The role of the digital economy in economic development in the Indonesian modern market, which employs the free presentation technique, markets a variety of products through units such as small supermarkets, large supermarkets, and shopping traders. Because the presence of digital commerce generates creative quality presentations, one of which is better negotiations, in the presentation of delivery or business style, the industry is today necessary to adapt in order to cope with existing and future companies. Because modern markets and ordinary markets are both desperately needed by the people of Indonesia, they cannot coexist.

LIMITATION & FURTHER RESEARCH

The limitations of the study are those characteristics of methodology that impacted or influenced the interpretation of the findings from the research. Further research should suggest the number of gaps in our knowledge that follow from our findings or to extend and further test of the research. It is necessary to explore more about digital transformation on market in Indragiri Hulu.

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