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Effect of E-Marketing Implementation and Competitiveness on Msme BusinessRevenue in Economic Recovery in the Middle of the Covid 19 Pandemic (CaseStudy of MSMEs in Medan City)



Henny Purnama Dewi¹, Aprilda Yanti², Jon Taufik Batubara³, Bima Rifandi Nasution⁴, Rohma Alawiyah Harahap⁵

^{1,2,3,4,5}Universitas Battuta

ABSTRACT: Micro, Small and Medium Enterprises have a large enough role for the welfare of the community. The existence of economic turmoil during the current Covid-19 pandemic, the conditions of large-scale social restrictions and the imposition of Community Activity Restrictions (PPKM) imposed by the government require business actors to adapt in reaching consumers quickly and consistently. Various marketing communication platforms in online form are a solution for business actors, including small and medium-scale businesses and individuals. The new norm for business people to be technology literate requires business actors to be able to quickly adapt to new norms that involve technology as a tool to carry out the marketing process. The problem is that there are still many MSME actors who are constrained by the lack of e-marketing knowledge and competitiveness. The use of e-marketing and competitiveness is still not maximized and MSME income has decreased since the Covid 19 Pandemic. The purpose of the study is to analyze the effect of e-marketing implementation and competitiveness on MSME business income in economic recovery in the midst of the COVID-19 pandemic (case study of MSMEs in Medan City). The analytical method of this research is descriptive quantitative research. This research uses data analysis with Partial Least Square (PLS) approach. The results of the study show that there is a positive and significant impact on the implementation of e-marketing and competitiveness in economic recovery in the midst of the COVID-19 pandemic (case study of MSMEs in Medan City).

KEYWORDS: E-Marketing, MSME Income Competitiveness

INTRODUCTION

The COVID-19 pandemic has had a tremendous impact on the MSME sector. Chairman of the Indonesian MSME Association (Akumindo) Ikhsan Ingrabatun estimates that the turnover of MSMEs in the non-culinary sector has fallen by 30-35% since Covid-19 because sellers and buyers only rely on physical face-to-face [1]. The Government's appeal regarding social distancing launched on March 15, 2020 is also predicted to have a serious impact on the absorption of MSME products. So that it requires business actors to be technology literate in the face of covid 19 which will still apply after Covid-19.

Bank Indonesia said as many as 87.5 percent of MSMEs were affected by the Covid-19 pandemic. Of this amount, around 93.2 percent of them were negatively affected on the sales side, where MSME income during this pandemic experienced a very significant decline [2].

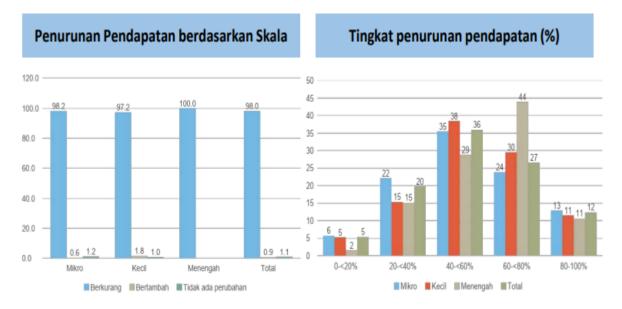
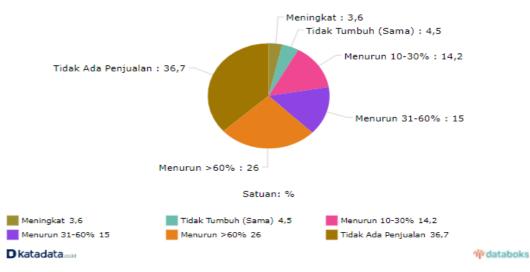


Figure 1. The Effect of the Pandemic on Business Income

Penurunan Penjualan Sektor UMKM Akibat Covid-19

Sumber : Asosiasi Business Development Services Indonesia, Kementerian Perencanaan Pembangunan Nasional (Bappenas), 13 April 2020





This fairly high decline in income is one of the main causes of MSMEs experiencing financial difficulties. This pattern is seen from several aspects, sectors and regions where the magnitude of the decline ranges from 40-80%.

E-marketing describes the company's efforts to inform buyers, communicate, promote, and sell products and services via the internet [3]. E-commerce offers convenience for transactions or facilitates the sale of products and services by e-commerce which in turn gives rise to e-purchasing and e-marketing. Based on data from the Ministry of Cooperatives and MSMEs, to date, out of a total of 64 million MSME actors, around 8 million or 13% are already connected to the digital world. From Mc Kinsey's data, from the beginning of the pandemic until June 2020 there was an increase in sales through e-commerce by 26% so that the total transactions reached 3.1 million per day [4].

One of the services is online shopping or online shopping. For business people who sell products through the marketplace or independently, online shopping makes it easier for them to promote their products because product information will reach potential consumers very quickly, cheaply, and able to reach potential consumers very broadly [5].

Problem Seeing the impact of the economic decline due to this pandemic which has an impact on the decline in the income of MSME actors, besides that there are still many MSME actors who are constrained by the lack of e-marketing knowledge and

competitiveness. The urgency of this research is to increase MSME income, e-marketing and competitiveness are believed to increase the sales of MSME actors so that MSME income will increase so that it can restore the community's economy.

THEORETICALBASE

Theory Planned Behavior(TPB)

Starting from the Theory of Reasoned Action (TRA), which was developed, TRA is a derivation of previous research which started from the theory of attitude which studies attitudes and behavior. TRA explains that behavior (behavior) is carried out because the individual has the intention or desire to do something (behavioral intention). So it can be said that TRA is a determining factor of an individual's intention in doing a thing/activity. The definition of attitude is a person's affection (feeling) to accept or reject an object or behavior and is measured by a procedure that places the individual on a two-pole evaluative scale, for example good or bad, agree or reject, and so on [6].

Theory Technology Acceptance Model (TAM)

Technology Acceptance Model(TAM) is a model to provide an explanation of what external factors affect the behavior of users of an information system from the acceptance of the use of the information system itself. A theory that examines what external factors motivate a person to accept or adopt an object/behavior (system, certain technology). The TAM model can produce an explanation of the acceptance of information systems with certain forms that can affect the response to whether or not an information system is accepted by its users [7].

MSME Income

According to PSAK No. 23 paragraph 6, income is "gross inflows of economic benefits arising from the normal activities of the enterprise during a period when these inflows result in increases in equity, which are not derived from contributions from investors.

Income is the maximum value that can be consumed by a person in a period by expecting the same conditions at the end of the period as the initial state. This understanding does not focus on the total quantitative expenditure on consumption for a period. In essence, income is the receipt or remuneration of the factors of production. Revenue is the receipt of producers in the form of money obtained from the sale of goods produced.

E-Marketing

Basically, e-marketing is the latest concept in modern business activities that involve the use of information technology. That way, this business accelerates marketing effectiveness and efficiency that previously did not exist in traditional marketing. Product information can be quickly and efficiently obtained by customers so that they can provide satisfaction by creating and maintaining customer service

good relationship with customers [8]. E-marketing is an online marketing process through electronic technology in marketing and promoting products and services that aim to reach a wider market and maintain relationships with customers and provide satisfaction to customers [9]. Consequently, e-marketing and all of its strategies add more customer value than traditional marketing can achieve [10]. Agree with that, the term fast is the most appropriate description of the 21st century. Here, information and communication technology has facilitated every system and sub-system of the global economy [11]. Emarketing has a wider scope than Internet marketing which only refers to the Internet, the World Wide Web,

Competitiveness

Competitiveness is the nation's capacity to face the challenges of international market competition and still maintain or increase its real income [13]. Competitiveness is the ability to produce goods and services that meet international testing, and at the same time maintain a high and sustainable income level, or the ability of a region to generate high levels of income and employment opportunities while remaining open to external competition.

Basically, in general, competitiveness is defined as the ability of an industry to show excellence in certain respects, by showing the most favorable situations and conditions, better work results compared to other industries. So the factor that must be considered in competition is excellence.

The World Economic Forum (WEF), an institution that regularly publishes the "Global Competitiveness Report" defines competitiveness as the ability of a national economy to achieve sustainable high economic growth. other supports, the realization of high and sustainable economic growth.

Conceptual Framework

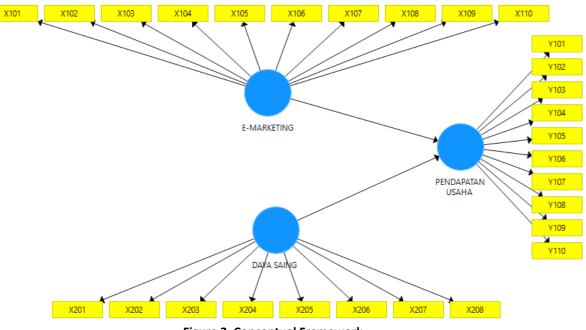


Figure 2. Conceptual Framework

Hypothesis

The hypotheses in this study are:

H1 :E-Marketing Affects MSME Business Income in Economic Recovery Amid the Covid 19 Pandemic (Case Study of MSMEs in Medan City)

H2 :Competitiveness Affects MSME Business Income in Economic Recovery Amid the Covid 19 Pandemic (Case Study of MSMEs in Medan City)

RESEARCH METHODS

Research Approach

In this study, data analysis uses the Partial Least Square (PLS) approach, PLS is a component or variant-based Structural Equation Modeling (SEM) equation model. PLS is a powerful analytical method and is often referred to as soft modeling because it eliminates OLS (Ordinary Least Square) regression assumptions, such as the data must be normally distributed multivariately and there is no multicollinearity problem between exogenous variables. Basically Wold developed PLS to test weak theory and weak data such as small sample size or data normality problems. [14].

Research data

Data collection technique is a method used by researchers to reveal or collect information from respondents according to the scope of research [15]. In general, there are several data collection techniques, namely tests, interviews, observations, questionnaires, surveys, literature studies and documentation analysis.

Population and Research Sample

The population in this study were 1,603 MSME entrepreneurs in Medan City based on data obtained from the Cooperatives and MSMEs Office in Medan City. The sample in this study uses purposive sampling, namely the technique of determining the sample with certain considerations, then the respondents will be filtered again according to certain criteria, namely:

- 1. MSME food traders
- 2. Have NPWP

3. Submitting SPT 2020-2021

Respondents who fit certain criteria amounted to 268 MSMEs, so the number of samples used was 73 people who were obtained based on the calculation of determining the sample using the Slovin Formula.

Data analysis technique

The data collection method used a questionnaire with a modified Likert scale consisting of 4 answer options, namely point 4 Strongly Agree (SS), point 3 Agree (S), point 2 Disagree (TS), and point 1 Strongly Disagree (STS). The data analysis technique used in this study is multiple linear regression analysis, with the following stages:

a. convergent validity

Convergent validity relates to the principle that the manifest variables of a construct should be highly correlated. The validity test of the convergent indicator reflection with the SmartPLS 3.0 program can be seen from the value of the loading factor for each construct indicator.

b. discriminant validity.

Discriminant validity relates to the principle that different constructs' manifest variables should not be highly correlated.

c. average variance extracted(AVE)

Another method to assess discriminant validity is to compare the value of the square of average variance extracted (AVE) of each construct with the correlation between other constructs in the model.

d. Composite Reliability and Cronbanch Alpha.

Reliability test was conducted to prove the accuracy, consistency and accuracy of the instrument in measuring the construct.

e. Coefficient of Determination/RSquare value.

In assessing the structural model with PLS, we start by looking at the R-Square value for each endogenous latent variable as the predictive power of the structural model.

f. Hypothesis test.

Hypothesis testing serves to test research hypotheses, where the t test can be seen from the results of the Path Coefficient test which will provide an estimate of the influence between variables and provide very useful significant information regarding the relationship between research variables. The estimated magnitude of the effect of exogenous variables on endogenous variables can be seen in the original sample which is the path value coefficient. For the t-test on the significance test, it can be seen that the T-statistical value and P-value. Whether or not a proposed hypothesis is accepted, it is necessary to test the hypothesis using the Bootstrapping function on SmartPLS 3.0. The hypothesis is accepted when the significance level is less than 0.05 or the t-value exceeds the critical value. The value of t statistics for the 5% significance level is 1.96.

The multiple regression model is formulated in the following form

Y= a + b1X1 + b2X2+e

Information :

- Y = MSME Income
- a = Constant
- X1 = E-Marketing
- X2 = Competitiveness
- b12 = Coefficient
- e = Error

RESEARCH RESULTS AND DISCUSSION

Investment Decisions

In this study, hypothesis testing uses the Partial Least Square (PLS) analysis technique, with the SmartPLS 3.0 program. The following is a schematic of the PLS program model tested.

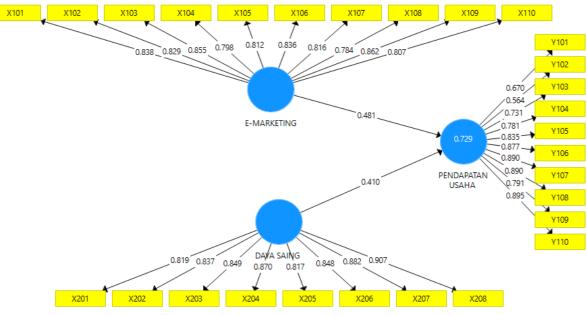


Figure 2. PLS Algorithm. Calculation Output Display

Based on Figure 2, it can be concluded that the expected cross loading value is greater than 0.7 (Ghozali and Latan, 2015). So that the discriminant validity requirements with the cross loading method have been met.

The reliability of the indicator aims to assess whether the indicator measuring the latent variable is reliable or not. Reliability test can also use internal consistency reliability. Which aims to measure how capable the indicator can measure its latent construct (Memon et al, 2017). The tools used to assess this are composite reliability and cronbach alpha. The following is a table of composite reliability and cronbach alpha values.

Variable	Composite Reliability		
E-Marketing	0.955		
Competitiveness	0.956		
MSME Income	0.946		

Table 1. Constryct Reability and Validity

Table 1 shows that Cronbach's Alpha is above 0.7 and Composite Reliability 0.6-0.7 indicates a high reliability of the measuring instrument with the meaning that the measure of each construct is highly correlated.

Hypothesis test results

Whether or not a proposed hypothesis is accepted, it is necessary to test the hypothesis using the Bootstrapping function on SmartPLS 3.0. The hypothesis is accepted when the significance level is less than 0.05 or the t-value exceeds the critical value (Hair et al, 2014).

Table 2. Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T (O/STDEV)	Statistics	P Values
E-Commerce→MSME Income	0.481	0.483	0.113	4.253		0.000
Competitiveness→MSME Income	0.410	0.410	0.119	3,457		0.001

Based on Table 2, it can be seen that the most dominant factor in influencing MSME income is E-Commerce with the highest path coefficient of 0.4887. Based on the table, the following structural equations can be formed:

MSME Income = 0.481 E-Commerce + 0.410 Competitiveness

1. Variable E-Commerce affect MSME Income. In Table 2 it can be seen that the P value which is 0.000 < 0.05 indicates that the variable E-Commerce affect MSME Income. Thus the first hypothesis is accepted, this can be interpreted that the variable E-Commerce have a significant influence on MSME Income. Variable score ups and downs E-Commerce will have a significant effect on the variable MSME Income.

2. Competitiveness variable has an effect on MSME Income. In Table 2 it can be seen that the T statistical value of the Competitiveness variable on MSME Income can be seen from its P Value which is 0.001 < 0.05 indicating that the Competitiveness variable has an effect on MSME Income. Thus the second hypothesis is accepted, it can be interpreted that the Competitiveness variable has a significant influence on MSME income. The rise and fall of the Competitiveness variable score will have a significant influence on the MSME Income variable.

DISCUSSION

The Effect of E-Commerce on MSME Income

The results of this study indicate that E-Commerce has a significant partial effect on the level of MSME income. This means that the higher the E-Commerce, the higher the MSME income. the use of e-commerce during the pandemic has proven to be able to increase MSME income during the covid pandemic. By promoting and selling products on the internet, everyone can see the products they have, making it easier to introduce products to potential consumers. It is possible that MSMEs can sell their products to the global market. Ordering via online makes it easier for consumers to find information about the products they have. Utilization of e-commerce also provides other benefits, namely increasing business efficiency because business is no longer limited by space and time. Besides that,

The Effect of Competitiveness on MSME Income

The results of the analysis state that competitiveness has a positive effect on MSME income. This result is consistent with research conducted by Muslikh (2012) which shows that the higher the business competition, the higher the business development.

To improve the competitiveness of MSMEs, joint steps are needed to raise technological capabilities and innovation power. In this case, innovation means something new for the recipient, namely the MSME community in welding workshops. Economic progress is related to the level of development which means the stage of mastering technology uncodified and built on experience. Also cumulative (formed 'incrementally' and in a certain time). The timing of mastery of this technology depends on the industrial sector and the accumulation process follows a specific trajectory.

Among the various factors causing it, the low level of mastery of technology and entrepreneurial abilities are issues that are currently emerging. Partially, MSMEs' income so far has not provided maximum results for improving MSME performance. Therefore, the policy for MSMEs is not because of their small size, but because low productivity. Increasing productivity in MSMEs will have a broad impact on improving people's welfare because MSMEs are places where many people depend on their sources of life. One alternative in increasing the productivity of MSMEs is to modernize the business system and its systemic policy tools so that it will have a wider impact in increasing regional competitiveness.

CONCLUSION

Based on the results of research and discussion through the proof of the hypothesis. The conclusions of this study are as follows:

- 1. E-Commerce has a positive and significant impact on the income of MSMEs in Medan City during the Covid-19 Pandemic
- 2. Competitiveness has a positive and significant impact on the income of MSMEs in Medan City during the Covid-19 Pandemic

SUGGESTION

Suggestions that can be given by researchers for the perfection of further research are:

- 1. It is hoped that the next research can expand the object of research, for example taking samples from MSMEs in several provinces so that the results obtained are more optimal and provide a clearer picture of this research.
- 2. For further researchers, it is recommended to be able to add other variables that also affect MSME income. This is necessary to improve the accuracy of the results obtained in the future that can be more perfect from this research.

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