

The Effect of Communication Behavior of MSMEs on Internet Utilization in Big and Medium Cities

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ABSTRACT: The advancement of information technology, especially the internet, provides an opportunity to micro, small, and medium enterprises (MSMEs) to maintain and develop their business. This study uses a survey method conducted in two locations, which are West Jakarta (a big city) and Tangerang (a medium city) by using a cluster random sampling technique. Total sample of this study is 200 persons and it is conducted according to the condition of Structural Equation Modeling (SEM). This study aims to (a) analyze the utilization of the internet by MSMEs for their business, (b) analyze the effect of MSME's behavior toward internet utilization. The results of this study show that (1) The utilization of internet by MSMEs is high, (2) high internet utilization is affected by the high communication behavior of MSMEs.

KEYWORDS: *internet, micro, small, and medium enterprises, internet utilization, communication behavior*

I. INTRODUCTION

The advancement of information and communication technology (ICT), especially the internet, is rapid. This can be seen from the intensity of internet utilization in various fields, such as education, industry, social, and business. ICT advancement is an opportunity as well as a challenge for business owners, including for MSMEs especially in maintaining and developing their business since MSMEs are the backbone of the national economy. In Indonesia, the MSME sector has become life foundation of many due to the economic crisis which started in 1997. (Sarosa, 2000). The role of MSME proves it by giving contributions toward employment and growth of gross domestic product (GDP). In 2016, MSME contributed 5.440 trillion rupiahs or 57.6% to national GDP (Bank Indonesia, 2016). In 2018, the contribution increased to 60% with a total of 8.400 trillion rupiahs (Nurfadilah, 2018). In the labor aspect, MSME showed an increase in 2016, with the employment of 114.14 million people and in 2018 increased to 121 million people (Hartomo, 2018). From the aspect of business unit number, MSME has increased, which in 2011 they reached 53 million units, and increased to 55 million in 2011 and 57 million in 2013 (Kemenkop & UKM, 2012). In 2017, the number of MSMEs increased rapidly to 59 million units (Kominfo, 2017). The increase of MSME numbers should be balanced by the quality of business in order to gain competitiveness and ability to compete in ever-changing global market. Kasali (2017) states that business competition does not come only from abroad, but also from silent readers which directly enters consumers' home by door-to-door online through smartphones. The use of the internet through communication technologies such as cellphones, smartphones, and/or tablets for business activity is known as online transaction (e-commerce) which includes (a) product marketing, (b) product selling and (c) transaction (Hidayat, 2008). In Indonesia, the number of cellphone users reaches 371.4 million out of a total of 262 million population. This means that each person might have more than one cellphone. (Databox, 2017) Meanwhile, the number of internet users in Indonesia reaches 171 million people (APJII, 2018). The two both indicators show that the use of internet in Indonesia is very high. This may be caused by the availability of various facilities on the internet that provide convenience in communication, especially through social media such as Twitter, Facebook, Instagram, Youtube, e-mail, and other website applications. This convenience is what causes the increase of media social users. In 2017 the data shows that active social media users reach 106 million people, and 92 million people use social media through mobile phones (Databoks, 2017). In 2019, according to the research result of We Are Social and Hootsuite, social media users in Indonesia reach 150 million people or 56% of the total population. The number increases to 20% from the previous survey. Meanwhile, mobile social media (gadget) users reach 130 million or around 48% of the population (Databoks, 2019).

In particular, the survey of Pricewaterhouse, Institute for Development Economy and Finance (INDEF) 2019 states that most MSMEs use Facebook to look for news and opportunities and start their business. In detail, the survey result explains that Facebook gives benefits to MSMEs, i.e. (a) increasing number of customers (92%), (b) reducing marketing cost (75%), and (c) reducing the inhibition to grow (74%) (Databoks, 2019). This is in line with the results of Cesaroni and Consoli (2015) who states that 79 percent of small business owners use Facebook, while others use other social media, such as Twitter, blogs, Youtube, Skype, and other similar applications. Along with the development of ICT, the use and utilization of ICT, especially the internet, has been a challenge and an opportunity for MSME owners to develop their business. Dealing with ASEAN Economic Community (AEC) established by ASEAN countries in 2015, MSME are faced with larger competition from foreign products. So, with the availability of ICT, MSME is required to widen the access to market information and product marketing, and should be able to produce products that are more appropriate to global market demand in order to increase their competitiveness. Access to information and marketing through the communication media of internet is an important support for companies, including MSME owners as stated in Amoros et al. (2007) saying that internet as a tool for business strategy places information revolution in the scope of small and medium businesses and provide many opportunities to compete in a rapid market change. This study is aimed to analyze the utilization of the internet by MSMEs and analyze the effect of MSMEs' behavior on the utilization of the internet.

II. METHOD

This study applies a survey method and is conducted in West Jakarta of Jakarta Province representing a big city and Tangerang of Banten Province representing a medium city. The location choice is based on two considerations, which are firstly, these regions have rapid growth of MSMEs, and secondly, both have culinary MSMEs as the most flourishing businesses after fashion. Samples are chosen through cluster sampling with a total of 200 samples to fulfill SEM criteria in estimating and interpreting results, like between 100-200 samples (Hair Jr et al., 1998). The analysis units in this study are business owners who (a) manage micro, small, and medium culinary enterprises, and (b) apply ICT and use the internet as the business media. The population in this study is based on cooperative department data and local MSME, to be specific from the e-commerce application of Go-Food and Grab-Food. Data are collected using a questionnaires, observation, and interviews with the participants. Quantitative analysis is performed statistically using descriptive statistics and structural equation models (SEM).

III. RESULTS AND DISCUSSION

The utilization of the internet in this study is in high category (mean value of 73.46). High utilization of the internet is due to the high communication behavior of MSME owners in the use of the internet. Optimal use of the internet by MSME owners give benefits to their business. This agrees with Baldwin et al., 2000 that the level of benefit is an important factor in the use in the use of e-commerce for business activity to improve the selling, communication with customers, suppliers and workers, and aids in tracking orders. The level of internet utilization in this study has five indicators, i.e. (a) market information, (b) innovation information, (c) cooperation opportunities, (d) promotion media and (e) online marketing. The distribution of internet utilization levels is shown in Table 1.

The marketing information aspect reaches 97.3 mean scores which is considered very high. This shows that MSME owners have the perception and experience that the internet provides much information regarding the market, including information for various products. From the interview result, information related to products can be easily found by googling, from price variation or competition, competitors, to number of requests and buyers. Besides Google, other applications used by MSMEs are social media. The results in the field shows that most MSMEs search for their products on Instagram (89.5%) and Facebook (66.5%). In accordance, Mudassir (2019) states that other than Facebook, Instagram is the most widely used social media in Indonesia which reaches 56 million users or 20.97 percent of the total population. Cesaroni and Consoli (2015) supports this study that 79 percent of small business owners use Facebook, while the rest use other social media, such as Twitter, blogs, Youtube, Skype, and other similar applications. The same goes for e-commerce, especially the marketplace which provides information of various complete products. MSMEs often choose Tokopedia as the most commonly used application to look and search for product information. In line with a survey conducted by Prihadi (2017) in Indonesia, Tokopedia has the second-largest visitors with a total of 39 million people. The result of innovation information shows a high category (mean score 77.5). This shows that the internet, according to business owners, provides information on innovations or new ways in marketing, promoting, selling, and transaction.

Table 1. Distribution of participants based on internet utilization level variable in West Jakarta and Tangerang

Internet Utilization Level	Category	Location				Total	
		Jakarta		Tangerang		Number	Percent
		Number	Percent	Number	Percent		

		(n)	age (%)	(n)	age (%)	r (n)	tage (%)
Market information Mean score 91.3	Very Low	4	4,9	1	0,8	5	2,5
	Low	8	9,9	12	10,1	20	10,0
	Moderat	2	2,5	3	2,5	5	2,5
	High	8	9,9	8	6,7	16	8,0
	Very High	59	72,8	95	79,8	154	77,0
	Total		81	100,0	119	100,0	200
Innovation information Mean score 77.5	Very Low	8	9,9	6	5,0	14	7,0
	Low	14	17,3	23	19,3	37	18,5
	Moderat	0	0,0	4	3,4	4	2,0
	High	5	6,2	6	5,0	11	5,5
	Very High	54	66,7	80	67,2	134	67,0
	Total		81	100,0	119	100,0	200
Cooperative opportunity Mean score 87.7	Very Low	3	3,7	0	0,0	3	1,5
	Low	5	6,2	6	5,0	11	5,5
	Moderat	2	2,5	3	2,5	5	2,5
	High	9	11,1	16	13,4	25	12,5
	Very High	62	76,5	94	79,0	156	78,0
	Total		81	100,0	119	100,0	200
Role of promotion media Mean score 47.3	Very Low	6	7,4	6	5,0	12	6,0
	Low	12	14,8	21	17,6	33	16,5
	Moderat	58	71,6	85	71,4	143	71,5
	High	4	4,9	6	5,0	10	5,0
	Very High	1	1,2	1	0,8	2	1,0
	Total		81	100,0	119	100,0	200
Online marketing Mean score 63.5	Very Low	0	0,0	0	0,0	0	0,0
	Low	13	16,0	12	10,1	25	12,5
	Moderat	40	49,4	50	42,0	90	45,0
	High	21	25,9	39	32,8	60	30,0
	Very High	7	8,6	18	15,1	25	12,5
	Total		81	100,0	119	100,0	200
Total Mean						73.46	

Score range: very low 0-20, low 21-40, moderate 41-60, high 61-80, very high 81-100

The interview result shows information that the experience of MSMEs in marketing and promoting products through social media and marketplace is easier and more cost-friendly, rather than paid advertising. It is further explained that social media can be used to interact, connect, and communicate with others at the same time, and can be used to distribute information on products. The opportunity for cooperation is in the high category (mean score 87.7). According to MSMEs, the internet provides several opportunities for cooperation that supports their business, including through social media and marketplace. Through these platforms, MSMEs can start cooperation with other internet users through reseller program, permitting other internet users to resell their products to the consumers. Other than that, the online transaction also enables MSMEs to gain cooperation opportunities through drop shipping procedure, in which internet users who act as sellers or marketers do not have to own their stock of products.

The promotion-media-role indicator is in moderate category (mean score 47.3). MSMEs consider the internet is a good enough media to promote their product. MSMEs promote their business in internet-based applications, such as social media and marketplace. Specifically, the role of promotion media through the internet is to provide convenience for product introduction. This is in line with Kiran et al., 2012 stating that the internet is an efficient, cost-friendly, wide-ranged, and extraordinary promotion tool to aid MSMEs in making decisions and to bring orientation to the customer closer. According to the participants, product introduction through the internet media is easier and more practical, especially through Instagram, Facebook, and WhatsApp. In line with Whiting and Williams (2013), business people prefer to post updates and images through interactive social media and allow their consumers to communicate and share information in two directions.

Online marketing is the activity of product or service selling online through the internet. Online marketing in this study is in the high category (mean score 63.5). Being different from traditional marketing that the promotion is only limited to product introduction, online marketing is how to sell which includes online transactions. Several online marketing can be conducted directly by the sellers through an online store, in which

the seller creates a blog or website directly without mediators. Online marketing can also be conducted through the marketplace that the seller acts as the third party to connect buyers. In this study, MSMEs use three types of media for online marketing which the first choice is by using social media since online marketing on social media is faster than website and marketplace. This explains that social media is a place where people communicate, interact, and share online, allowing a product to be recognized easier by many social media users. Social media is also considered as an affordable media to market products because registering to social media such as Facebook and Instagram is free, compared to paid-website marketing, in which business owners should make a website by buying a domain and renting a place to store their product data in a certain server (hosting).

The results of this study show that factors affecting internet utilization can be seen in a mathematical structural formula as follows:

$$Y_2 = -0.022 * Y_1 - 0.18 * X_1 + 0.88 * X_3 + 0.10 * X_4, R^2 = 1.00$$

From the formula, we can conclude that the effect of the above variables on internet utilization is 100. It means the characteristics of users, and utilization of information source from the internet and non-internet together affect internet utilization to 100 percent. The association between latent variables is considered significant with t calculated higher than 1.96 (Wijanto, 2008). Overall, SEM results show that the factors affecting internet utilization are the characteristics of users, utilization of information sources from the internet, utilization of information gathered from non-internet, and communication between internet users. These variables produce a significant effect on internet utilization in the aspects of market information, innovation information, opportunity for cooperation, promotion media role, and online marketing.

Table 2. Coefficient value of factors affecting internet utilization

Independent variable	Dependent variable	Path coefficient	T hit > 1.96	Description
Characteristic of users	Internet utilization	-0.18	0.074	Insignificant
Utilization of information source from the internet		0.88	3.560	Significant
Utilization of information sourced from non-internet		0.10	6.540	Significant
Communication behavior of internet users		-0.02	1.980	Significant

The Effect of Communication Behavior of Internet Users on Internet Utilization

As mentioned above, internet utilization is placed in the high category. High internet utilization can be influenced significantly by the variables of communication behavior of internet users, though having negative value. It means that high communication behavior does not cause high internet utilization for business purposes. In other words, the increasing internet utilization for business does not always have to depend on high communication behavior. In Table 3, generally communication behavior is considered high that may be caused by any indicator which has a very high mean score, while the other three indicators are only moderate. These three moderate indicators indicate that many businessmen do not optimally use the internet for business purposes, thus having the negative value. This negative value is supported by the result of the interviews, showing that one of the indicators of communication behavior, in which the ability to create a blog or website technically turns out to have low quality. Therefore, most businessmen do not use a website or blog as a media for their businesses. Other than that, the internet is used more to browse for news, entertainment, leisure, and social interaction. High internet utilization for business purposes is also caused by the availability of applications on the internet without the requirement to have expertise in technical skills. Other facts can be seen from the minimum ownership of blogs or websites by businessmen. Even in the field of micro business, most businessmen cannot create a blog or website, either paid or free. However, the skill of businessmen in using the internet to search for information regarding their businesses remains high, an aspect that is created by adequate technology facilities to access the information needed. Ownership of cellphone encourages businessmen to access or look for information directly regarding the market, business innovation, opportunity of cooperation, promotion media, and online marketing. The negative value of the effect of internet-user-communication behavior on internet utilization is generated by the contribution of communication-behavior indicators of internet users that is considered moderate. This is also associated with the theory of uses and gratifications, in which internet utilization highly depends on the motive of businessmen. Motive to use the internet for entertainment or information besides business purposes will negatively affect internet utilization.

Table 3 Distribution of participants according to communication behavior variable in West Jakarta and Tangerang

Communication Behavior	Category	Location				Total	
		Jakarta		Tangerang		Number	Percent
		Number	Percent	Number	Percent		

		(n)	age (%)	(n)	age (%)	(n)	age (%)
Media Election Mean score 99.7	Very Low	0	0	0	0	0	0
	Low	0	0	0	0	0	0
	Moderat	0	0	0	0	0	0
	High	0	0	0	0	0	0
	Very High	81	100	119	100	200	100
	Total	81	100.0	119	100.0	200	100.0
Content suitability Mean score 54.2	Very Low	3	3,7	1	0,8	4	2,0
	Low	9	11,1	12	10,1	21	10,5
	Moderat	54	66,7	65	54,6	119	59,5
	High	10	12,3	37	31,1	47	23,5
	Very High	5	6,2	4	3,4	9	4,5
	Total	1	100.0	1	100.0	200	100,0
Blog creation Mean score 57.6	Very Low	2	2,5	5	4,2	7	3,5
	Low	14	17,3	24	20,2	38	19,0
	Moderat	29	35,8	45	37,8	74	37,0
	High	18	22,2	29	24,4	47	23,5
	Very High	18	22,2	16	13,4	34	17,0
	Total	81	100.0	119	100.0	200	100,0
Transaction use Mean score 46.5	Very Low	13	16,0	25	21,0	38	19,0
	Low	21	25,9	31	26,1	52	26,0
	Moderat	22	27,2	42	35,3	64	32,0
	High	17	21,0	15	12,6	32	16,0
	Very High	8	9,9	6	5,0	14	7,0
	Total	1	100.0	1	100.0	200	100,0
Total Mean						64.5	

IV. CONCLUSION

This paper concludes that internet utilization by MSMEs to run a business is considered good. It can be seen from high internet utilization. Good internet utilization is caused by communication behavior shown by MSMEs in using the internet for business. Communication behavior of businessmen highly affects internet utilization, with the condition that the internet is used intensively for business. However, if the internet is used for other purposes such as communication, entertainment, or news source, the effect may not improve the business.

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