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## On the Role of Information Technology Micro, Small and Medium Enterprises in Kota Blitar

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### Abstract

This research was conducted to find out information technology adoption in MSMEs in Blitar City. Data collection was Carried out through distributing questionnaires to 56 MSME respondents in Blitar City. The results of this study indicate that MSMEs enough in Blitar City have Adopted information technology, especially for promotional activities. However, the use of technology for administrative, financial management and production activities is still not optimal. The potential for information technology adoption in increasing the competitiveness of MSMEs in Blitar City is very large. MSMEs can Utilize social media and online stores for promotion and marketing, software for financial records, and applications for MSME development. This research was collected through in-depth interviews (indept interviews) and distributing questionnaires to MSME entrepreneurs.

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## INTRODUCTION

The current economic development priorities are directed to efforts to accelerate economic recovery, overcoming poverty and unemployment increased, and efforts to increase the competitiveness of small and medium scale enterprises. Micro, small and medium enterprises (SMEs) constitute the largest group of economic actors that can contribute significantly to the national economy and has been proved to be a buffer (buffer) in the economy that is instrumental in improving the Gross Domestic Product (GDP).

The success in the development of SMEs will be able to strengthen the economic foundation of the people, as long as it is done by SMEs is generally based on local resources, not to rely on imports, the flagship product of SMEs in the regions have export opportunities are very large because it has a unique of its own which is characteristic of these products. Wahid (2007) states that a lack of understanding of the strategic role played by information technology (IT) related to the new approach to marketing, consumer relations, and development of products and services because of the alleged lack of IT adoption by SMEs. There are interesting facts that occurred in Indonesia, according to a survey conducted by the Association of Internet Networks (APJII) the number of internet users in Indonesia reached 132, 7 million people, this means that more than half of Indonesia's population has used the Internet (Widiartanto, 2016). This is expected to be an indication of the willingness of business people and the government to encourage the growth of electronic commerce (e-commerce), particularly in SMEs.

The empowerment of SMEs in globalization and high competition make SMEs must be able to face the global challenges, such as improving product and service innovation, development of human resources and technology, as well as the expansion of the marketing area. This needs to be done to increase the selling value of SMEs itself, especially to compete with foreign products

flooded the industrial and manufacturing centers in Indonesia, considering that SMEs are the economic sectors that could absorb the largest labor force in Indonesia (Sudaryanto, 2011).

SME's strategic role and proven as a driver of economic growth of the people would need to be to develop more comprehensive and competitive. The competitiveness of SMEs can be achieved either by the use of IT to enhance business transformation, accuracy and efficiency of information exchange (Rahmana 2009), expand the marketing network and expanding market share.

The use of information technology by the Micro, Small and puffy (SMEs) is an interesting thing to note. The use of information technology in support of information systems had an impact on almost all aspects of business management, and provide added value if it is designed to be an effective information system. Functions and a very important new concept of the information system as a Strategic Information System emerged in the early 1990s. In this concept, IT is becoming a very important component in the process of business products and services to gain a competitive advantage in the global marketplace and gain a strategic competitive which is superior to its competitors.

## LITERATURE REVIEW

### Information Technology

information technology is part of the development of the terms in the world of information systems. The term refers to the information technology used in conveying technology and processing information, but basically still a part of the information system itself (Supriyanto, 2005). The definition of information technology by Suyanto (2005) is a form of technology used to create, save, modify, and use of information in all its forms. While the Oxford English Dictionary defines as information technology hardware (hardware) and software (software), including networking and telecommunications which is usually in the context of a business or business (Supriyanto, 2005).

**Utilization of Information Technology in Business**

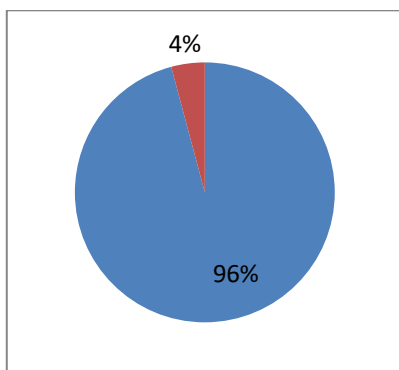
In the business field of both trade in goods and services, the computer has a very important role to perform routine transactions, periodic and incidental, and the computer can provide information quickly and accurately. Management Information System (MIS) is an information system that has been widely applied to companies engaged in the trade of goods and services both on the large enterprises, medium and small enterprises (Supriyanto, 2005). A simple example can be seen is the use of a calculating machine or cash register at the supermarket cashier, the use of a simple computer application is very easy for employees to do their work more quickly and accurately. Suyanto (2005) found through the utilization of information technology, micro, small and medium can enter the global market.

For a business or businesses, the use of information technology can be applied in various ways (Rulhudana, 2015), among others: *Planning; Organizing; actuating; controlling*

**DISCUSSION**

**Utilization of information technology in SMEs**

The use of information technology by the micro, small, and medium enterprises in Blitar City is quite large. It can be seen from 48 respondents stated that the use of information technology in managing their business. Only two respondents stated not to use information technology.



**Figure 1.** Number of Respondents Who Use of Information Technology in the Run

For those respondents who stated the use of information technology in business, information technology devices are the most widely used smartphone. There is also a respondent who use printers, telephones, and photocopiers to support his efforts.

**Table 1.** Device Information Technology

Device Information Technology	percentage
Computer	16
Notebook / Laptop	22
Mobile / Smartphone	59
Others (telephone, copier, printer)	3

The information technology devices, mostly used for marketing and promotional activities, as well as communicating with customers and suppliers. There are still very few respondents who use the devices for the administration, financial management, and production processes.

**Table 2.** Activity in Business Management Using Information Technology

Use of Information Technology	percentage
Administration	11
finance	9
Production process	6
Marketing and Advertising	37
Communication	37

Benefits perceived by respondents to use quite a lot of information technology, including ease of administration activities, facilitate financial management activities, improve product quality, expand markets and increase sales, and support communication with suppliers and customers.

**Table 2.** Use of Information Technology Benefits Obtained by Respondents

Benefits Use of Information Technology	Percent age
Facilitate administrative activities	11
Facilitate the financial management	8

activities	
Improve product quality	10
Expand markets and increase sales	37
Assist communication with suppliers and customers	35

From some 46 respondents who have used information technology, 40 of which are also utilizing the Internet to support the business, while 6 respondents still do not use the internet. The majority of respondents use the Internet for browsing, use the internet to send emails, manage websites, banking (mobile banking and internet banking), as well as online marketing (12 respondents).

**Table 3.** Activities Undertaken by Respondents Using Internet

Use of the Internet	Percentage
browsing	34
E-mail	20
website	16
transaction Banking	18
Online marketing	12

### Factors inhibiting the use of information technology in SMEs in Kota Blitar

Although the use of information technology by SMEs in Kota Blitar has been quite a lot, but still not optimal. One possible cause is still a lack of training on the use of technology provided to SMEs in the city of Blitar. A total of 24 respondents (50%) state that had not received training on the use of information technology. For 50% of respondents had ever received training, 12 respondents (37%) receive training from colleges/universities, 9 respondents (27%) received training from the Department of Cooperatives and Micro Kota Blitar, and 2 respondents (6%) gain the training of the Association of Micro. Some 10 respondents (30%) received training from the Department of Agriculture, Community MSMEs,

The training materials are given to SMEs is the use of the Internet (20 respondents), other than that most SMEs also receive training on

website creation (11 respondents) and Microsoft Office (4 respondents). Some 6 respondents said that they had received training in online marketing.

### The potential use of information technology in improving the competitiveness of SMEs in Kota Blitar

The potential use of information technology in improving the competitiveness of SMEs in Kota Blitar very large. From the research results can be seen that not all respondents optimal use of information technology. Only some businesses are utilizing information technology in various aspects of business management, such as: administration, financial records, marketing, and promotion, as well as communicate with suppliers and customers. And if business owners pay great attention to the use of information technology, it will increase the productivity of our operations, as demonstrated by the results of a survey on Business Predictions 2017 conducted by SWA Magazine and PT. Deka Marketing Research.

The use of information technology by SMEs can be applied in marketing, finance, production, and development of SMEs. In marketing activities, SMEs in Kota Blitar can utilize information technology to marketing activities online or digital marketing. Based on the research that has been done, of 46 respondents still 8 respondents who do not use information technology to market their products, and of the 38 respondents who market their products online, not entirely know how to conduct online marketing well.

According to Agus Muharram, Sekeretaris Ministry of Cooperatives and SMEs ([www.depkop.go.id](http://www.depkop.go.id), 2017), some things should be owned SMEs in using social media, namely: Keeping attitudes and behaviors in using social media, for example, do not lie on the product sold; Being able to create a business network or network through social media; Can utilize social media to see the business opportunity; Having the ability to do business, such as marketing, product quality, and so on, to attract consumers; Being able to create a brand

and brand products that are easy to remember; Able to maintain consumer confidence.

The potential increase of MSME product sales through online marketing in the digital age is very large, this is because there is a change in consumer behavior that is very significant. Currently, 84% of consumers buy goods through social media, like Facebook, Instagram, Twitter, Youtube, and LINE. Thus, it would be very unfortunate if SMEs do not take advantage of social media to increase sales of its products (www.depkop.go.id, 2017). Billy Boen, Founder and CEO of Young on Top and GDIIlab explained that in marketing their products through social media, SMEs must consider the following things:

Knowing what she likes and swordfish preferably prospective customers, including also when the prospect opens social media; Knowing the opinion of potential consumers to the brand owned (brand perspective); Knowing what should be posted in social media, including when to do a soft sell and when to do a hard sell; Able to manage the expectations of potential consumers to the brand owned products.

In addition to using social media, SMEs in Kota Blitar also be able to market their products through an online store, such as: Tokopedia, Lazada, Open Stalls, Shopee, and others. To face global competition and improve the well-being of SMEs in Kota Blitar, Blitar Center, Sedulur SMEs Blitar and Bank Jatim also have collaborated to provide Android-based mobile applications that can be a means of buying and selling for SMEs in the city of Blitar. If all SMEs in Blitar can access and utilize this application properly, it will greatly assist the growth and development of SMEs in the city of Blitar.



**Figure 2.** Application Blitar SMEs as SME Product Purchase Forum Blitar

The potential use of information technology can also be optimized by SMEs to support its business is in the field of administration and financial management. Based on the results of the study, only 20 respondents who use information technology for administration and financial management. This amount is very little and very need to be upgraded as one cause of the development of a business is difficult because the owners still do not know how to manage your finances well. Through the utilization of information technology, financial transaction records activity becomes easier to do.

In the digital age, there are a lot of computer software and applications on smartphones for accounting and financial management. If previously SMEs are reluctant to do the bookkeeping for cumbersome and lazy to count, then by utilizing the accounting application on a smartphone, recording transactions of the financial can be done anytime and anywhere, as well as being easier because the application has been made such that it is easy to use and comes Similarly, the financial statements. With better financial management, businesses will know the financial condition of their business. The financial statements can also be a reference in business planning, as well as help as one of the requirements to obtain loans from financial institutions or third parties.



**Figure 3.** Simple Accounting Applications for SMEs on Android-based Smartphone

In addition to marketing and financial management, SMEs also can both utilize information technology for business development, by expanding the network so that information to be obtained is also growing. Ministry of Cooperatives and SMEs have launched the App Center for Integrated Services of Smesco or Integrated Business Service Center of the National KUKM (CIS-Plut-KUMKM). With this application is expected that the Plut-KUKM Facilitation Consultant can actively input data that accompanied the development of SMEs, making it easier for stakeholders such as the Ministry of Cooperative and SMEs, as well as other stakeholders in accessing the data (www.depkop.go.id, 2017).



**Figure 4.** Applications CIS-Plut of the Ministry of Cooperatives and SMEs

The SMEs can consult directly with the consultant closest companion through smartphones owned. SMEs can also do promotional products through market information services available in the application. The application also provides an online database service that is useful for access to finance and credit rating (www.depkop.go.id, 2017). By

utilizing these applications, SMEs in Kota Blitar can connect with SMEs throughout Indonesia so that it will widen the business network.

For young entrepreneurs, the Ministry of Cooperatives and SMEs have a variety of programs that use information technology to get the digital economy, including: (www.depkop.go.id, 2017):

Online registration of legal entities; KUKM human resources and student training (vocational training) as techno; Program for the financial technology start-up business; Registration SMEs as a merchant in the market place SMESCO; Digital village to accommodate products of SMEs.

The number of young entrepreneurs in the city of Blitar has increased from year to year, it can be seen from the number of young entrepreneurs who are members of the communities of entrepreneurs in the local and national levels. The young entrepreneur has advantages in terms of the procurement of technology when compared with older businesses. It becomes its potential to optimize the use of information technology in business development. The government is targeting Indonesia into the digital energy of Asia in 2020. With the increasing number of young entrepreneurs who are proficient in the use of technology, the target to achieve the number of SMEs that have gone online as much as eight million units, it is possible to achieve.

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