

MSME Social Capital Based On E-Commerce For Business Continuity In The Era Covid-19

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Abstract

The study aims to see the extent to which social capital contributes to the sustainability of micro small and medium enterprises businesses by utilizing e-commerce in the face of difficult conditions due to the Covid-19 in Serang. Departing from the problems related to the difficulty of product marketing during the pandemic and the limited activities of MSMEs. This study uses a qualitative approach, phenomenological research design, with the informant selection technique using purposive random sampling. The results of the study indicate that the social and economic conditions of MSMEs are difficult, a significant decrease in income is due to the regional restriction regulations from the government. Having social capital in the form of trust, norms and networks that form mutual trust between MSMEs and consumers. Social capital that contributes significantly is trust and the network of involvement of traders and consumers with e-commerce third parties that facilitate buying and selling transactions. The social structure of commerce, especially its social relations with customers and e-commerce, contributes to the ongoing economic activity. Several aspects that affect the continuity of the MSME business are marketing, production and capital. Trust makes a positive contribution in improving the welfare of traders.

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INTRODUCTION

The COVID-19 pandemic has had an impact on various areas of life. One of the affected areas is UMKM or Micro Small, and Medium Enterprises (MSMEs). MSMEs plays an important role in promoting the fair distribution of local government assistance and become the foundation of the Indonesian economy. With the implementation of the Large-Scale Social Restriction (LSRR) strategy, The Ministry of Cooperatives and MSMEs reported that 19.50% of MSMEs experienced distribution barriers, while 23.10% experienced a decline in product demand (Nasution, Erlina, & Muda, 2020). This is also felt by MSMEs in the field of typical Banten souvenirs located in Kota Baru.

Banten Province is known for tomb pilgrimage tourism which is located in the old Banten area. Since the Covid-19 pandemic, MSMEs for typical Banten souvenirs in Kota Baru have complained about a decline in sales, delays in the distribution of raw materials, difficulties with capital, and problems with product marketing. Under normal conditions, MSMEs typical of Banten can send their products to Jakarta. After the Covid-19 pandemic, typical MSMEs products of Banten, Kota Baru, were only sold around the old Serang market area and the Rau Serang market.

One of the efforts of MSMEs in the new city environment in overcoming the problems of product marketing is by utilizing technology, namely: E-commerce. E-commerce become an alternative as a product marketing media that allows the reach of trade to be wider both in the local and national areas. According to (Yanti, Amanah, Muldjono, & Asngari, 2018) who stated that the task of data innovation and correspondence was critical to assisting business excellence and maintenance. This will make the business market through internet-based media.

In this way, MSMEs can market their products more broadly. Encouraged by (Faizal, 2014) statement that business suitability can provide flexibility to MSMEs actors to increase their income, and government assistance can be

beneficial for MSMEs actors who have business capabilities. The Deputy for Financing at the Ministry of Cooperatives and Micro, Small and Medium Enterprises said, based on the results of a World Bank study, there was an increase in internet business transactions by 26% during the pandemic. There are consistently 3.1 million transactions on internet-based platforms.

Presence of E-commerce as an answer to follow the coherence of the development of the typical Banten souvenir business is an impression of the great participation of every interested party (Coleman, 1988) in (Alfandya & Wahid, 2020). During the difficult COVID-19 pandemic, maintaining business continuity also requires capital. Not only financial capital, and labor capital only.

Social capital has an important role as capital that is not used up. The concept of social capital arises from a thought that members of society cannot individually solve the various problems that occur. There is a need for togetherness and good cooperation from all interested members to overcome these problems. As for Social capital functions like other types of capital in achieving economic goals, such as the function of facilitating (lubricant) and the function of strengthening social ties in the production system (Handoyo, 2012).

The analysis in this theory refers to Putnam's theory of social capital that social capital inherent in relationships between individuals forms social networks, reciprocal norms and Putnam's trust (in (Häuberer, 2011) Trust is needed to support non-blind cooperation that contains predictions about the behavior of independent actors.

Putnam (in Handoyo, 2013) in his book *Bowling Alone*, characterizes social capital as social associations, such as beliefs, principles and associations that can grow productivity through work and practice.

Community groups that have a high level of trust will generally be positive in any accepted practice and have helpful participatory connections. (Kusuma, Soesilowati, & Handoyo, 2019).

Social networks make it possible to foster mutual trust and the various successes achieved through collaboration will encourage the sustainability of the group network. The continuity of a group cannot be separated from good relations between internal and external members.

The study aims to explain how the role of social capital contributes to the continuity of the Banten typical UMKM business by utilizing e-commerce in the conditions of the Covid-19 pandemic in Kota Baru, Serang, so that MSMEs can remain survive to realize the welfare of MSMEs family trade and smooth business activities.

METHOD

This study uses a qualitative approach and a phenomenological research design. Phenomenological research design emphasizes human life experiences about certain phenomena. This study examines, investigates, and understands the contribution of e-commerce-based MSMEs social capital for business continuity in the era of the covid-19 pandemic, so a phenomenological research design is needed. Data collection techniques are carried out through observation, in-depth interviews, and documentation. This research was conducted on MSMEs typical souvenirs of Banten located in Kota Baru, Serang District, Banten Province. This research was conducted for three months starting in June 2021. The main data source for this research is the MSME actors who use e-commerce for selling typical souvenirs of Banten in the era of the COVID-19 pandemic. The number of informants is 10 people. The results of interviews with MSMEs typical souvenirs of Banten actors are five people. Key informants in this study Department of Cooperatives, Small and Medium Enterprises, Industry and Trade, Serang City. While the supporting informants in this study were the children of MSME families, MSME employees, and the community around Kota Baru Serang. The focus of this research is to look at the social and economic conditions of

MSMEs during the COVID-19 pandemic, the results of a form of social capital based on e-commerce in the life of MSMEs in the Covid-19 pandemic era and the contribution of e-commerce-based MSMEs social capital for business continuity in the Covid-19 pandemic era.

RESULTS AND DISCUSSION

MSMEs Socio-economic conditions

Kota Baru is located in the center of Serang city, close to one of the trade centers, namely the old market. The typical Banten souvenir trader in the old market area has been established since 2000, selling in the market together with other traders. After the renovation of the old market area, the typical Banten souvenir traders moved to the front of the market road, renting stalls that were previously residents' houses. Its strategic location and easy access make the old market the center of the busiest souvenirs visited by pilgrims visiting the old Banten cemetery. This is reflected in the Regional Regulation of Serang City Article 12 number 14 of 2014 concerning the construction and development of tourist areas or tourist destinations that are a priority in order to attract tourists.

This situation has changed drastically since the 2019 COVID-19 pandemic. According to the Department of Cooperatives Small and Medium Enterprise Industry and Trade (Diskopukm Perindag) of Serang City, Wasis Dewanto, M.Pd, Msi, explained that the COVID-19 pandemic has an impact on the income decline and social interaction by 70% (10.238) of MSME in Serang City.

This is due to a comprehensive social restriction policy. In line with what was stated by Ridwan (46 years old) as a seller in the Banten Lama area, the operational restrictions and regulations for tourism closures have an impact on the absence of visitors to the tomb area for pilgrimage, so that the surrounding traders are also closed.

Titin (40 years old) also feels the same thing as a MSME actor for typical souvenirs of

Banten in the new city, sales turnover has decreased significantly by 80%, from normal conditions it can reach 6 million per/day, especially during the big days of Ramadan and Eid al-Fitr, it can reach two times higher. This is due to the decline in product demand by consumers and the limited marketing area due to the LSRR, which reduces production. In line with this, Zili as another Banten typical souvenir MSME actor stated that the decline in turnover also resulted in a reduction in labor costs in order to minimize the burden of shop expenses.

Forms of Social Capital

The use E-commerce as one of the strategies to maintain the business continuity of the Banten typical souvenirs MSMEs, does not escape the participation of related parties. The social capital found in this study is trust, norms and networks.

Social capital is formed through relationships between traders and other actors with mutual interests (Kang, 2018). Social capital of MSMEs can be formed from relationships between fellow traders, suppliers, or the surrounding community. Seller trust is also built in relationships with fellow consumers through online media, this is stated in the statement (Steinhoff, Arli, Weaven, & Kozlenkova, 2019) which states that online relationships include relational exchanges between customers and entrepreneurs that are mediated by the internet technologies and that take place on a non-face-to-face basis (i.e., human-to-technology interactions).

An MSMEs informant, Zili, revealed that he believes in consumers in online transactions, online transactions through marketplaces such as Shopee and Tokopedia help sellers in interacting with consumers. In addition, according to Titin, as another MSME seller, he said that there was good communication with buyers, for example through chat tools that are available which can help answer questions from buyers regarding the availability of goods, product details, delivery estimates, or other questions.

Titin added that traders who have employees have full confidence in the transactions carried out, this can be seen from the activities of recording sales reports by employees which are then given to shop owners. This action of course requires the value of honesty so that trust will increase.

Table 1. Forms of Social Capital Trust for MSMEs in Kota Baru Serang

Social Capital Trust
There is trust in consumers in online transactions
Trust and comply with regulatory agreements with online service providers
Trust between MSME traders and employees in recording sales results online and offline in stores
Employee recruitment process through a third party trusted by merchant

The type of social capital that allows traders to survive and continue their business is by using social networks which has been built with channeling agents, distributors, media service providers and consumers.

The social network owned by MSME typical Banten souvenirs facilitates the exchange of information regarding the use of technology, as well as job opportunities. In addition, it also makes it easier for MSMEs to get data about programs provided by the government related to *e-commerce* or economic assistance for MSME, as stated by the Head of the Industry and Trade Diskopukm Wasis Dewanto that the training program has been followed by MSME actors, namely management and digital marketing on one of the e-commerce platforms and social media. Besides that, Diskopukm Perindag has also provided training on packaging innovation.

Through a network owned by traders, they can play a role in determining product prices that are in accordance with the goal so that fair competition occurs and does not reduce market prices. This activity can occur if there is a strong trust among SME for typical Banten souvenirs in Kota Baru based on a sense of being able to carry out these activities.

For some MSME actors in Kota Baru, the family network has an important factor for MSMEs productivity, namely as a source of information. The process of education, marketing and capital is made easier with collaboration between family members, as expressed by Sadiyah, the shop owner of Putra HS, that previously there were still problems related to the use of e-commerce as a marketing medium and transactions through online media, but this can gradually be overcome with the help of his eldest son.

The role of the family is also a source of capital assistance in building a business during the COVID-19 pandemic. Helping each other with other family members provides relief in the turnover of capital. As for the family as the next generation of business, instilling the value of entrepreneurship is started from an early age for MSME children so that human resources are more focused and optimal for business continuity. Part of MSMEs social capital which refers to the mandate to network, considering the formal and casual standards that apply to MSMEs to be adhered to together.

Table 2. Form of Social Capital Network of MSMEs in Kota Baru Serang

Social Capital Network
Family as the initial source of information and communication networks
Cooperation between merchants expands information networks related to government programs in the field of e-commerce
Cooperation between traders facilitates marketing activities.

Basically MSMEs social capital aspect refers to trust in building network, which is based on formal and informal norms that apply for MSMEs to be obeyed together (Fathy, 2019). On the other hand, norms can control and maintain relationships between individuals in social activities. Compliance with norms can reduce the risk of conflict between MSMEs, as well as MSME actors with other parties.

The implementation of Large-Scale Social Restrictions (LSRR) strictly regulates the operating hours of opening or trading operations during the COVID-19 pandemic, which is not to exceed 8 p.m. with a visitor capacity of 50%. In addition, the government also has rules related to online sales that regulate the relationship between sellers and buyers.

The collaboration built by MSMEs with third parties e-commerce also has several rules, including profit-sharing agreements between sellers and other e-commerce parties. According to Hasbi, 38 years old, as a typical Banten souvenir MSMEs, it was revealed that the Shopee party imposed the administrative burden for the seller who wanted to take the money in the shope account cash of Rp. 6,500 per withdrawal.

Meanwhile, Gojek / Grab which applies a 20% cutting fee from the sales price. Broadly speaking, the forms of social capital Norm based on e-commerce MSMEs typical souvenirs of Banten in Kota Baru are listed in table 3.

Table 3. Form of Social Capital Network of MSMEs in Kota Baru Serang

Norm Social Capital
The presence of written regulations from the government regarding online sales that regulate the relationship between sellers and buyers.
There are rules for opening/operating trade during the covid-19 pandemic, which is not to exceed 8 p.m. with a visitor capacity of 50%
Agreement between seller and e-commerce parties such as Shopee, grab, gojek used.
Shopee applies an administrative burden for sellers who want to take their money in the Shopee account cash of Rp.6,500 per withdrawal.
Meanwhile, Gojek / Grab applies a 20% cutting fee from the sales price.
Mutual respect and appreciation with local residents to prevent conflicts and contradictions
Awareness in maintaining the cleanliness and tidiness of the trading place
Not dropping market prices online and offline

The forms of social capital in the table above are built through a continuous process. Social capital arises because of cooperation over a long and consistent period of time (Azhari & Mawardi, 2018). This will create an enthusiastic attachment to joining together giving the trust of the acquaintances involved.

Collaboration with the substance of social capital that is owned will create good energy in social relations (Abdullah, 2013). The substance of social capital in MSMEs is awareness of the expectations of others, attentiveness, trustworthiness, comprehensive cooperation, mutual trust, frankness, having a sense of security and fun and a positive hard work attitude.

Social capital built by MSMEs is a resource that can be utilized effectively in a business coherence system during the Covid-19 pandemic.

Contribution of Social Capital for MSME Business Continuity

In level macro social capital contribution is very important for economic and social and development. While at the micro level, changes in individual, Household, and community will get results which are better in the field of economics and social (Handoyo, 2013).

Contribution of social capital based on e-commerce (beliefs, norms, and social networks) have a significant impact. Trust is proven to have a positive impact in improving the welfare of traders. This was stated by Akri, an MSME player, that trust in suppliers, employees, the government, and other traders has a positive effect on wider business continuity, which also helps us to face difficult times amidst the COVID-19 pandemic.

In the social structure, there are relationships between traders and customers as well as e-commerce, contributing to the sustainability of economic activity.

On the other hand, the ease of transactions makes MSMEs safer and more comfortable in transacting. Souvenir products that are fresh and good quality and with good

packaging will increase the interest of buyers, even traders can reach consumers in other areas and be able to maintain relationships with customers. Maintaining customer trust is done by giving satisfaction to the service and quality of merchandise. Customer ratings on services and products in e-commerce affect the rating for sellers.

In accordance with what was conveyed (Agustina, Fayardi, & Irwansyah, 2018) that the assessment of online products greatly affects consumer interest in making purchase transactions. The higher the star rating given is satisfactory, the higher and more popular shop ratings in e-commerce will be so that customers will have more confidence in buying at the online shop. This is the same as what was stated by (Tadelis, 2016) that the positive rating received by online merchants through e-commerce makes online stores more famous.

The establishment of good relations between traders and consumers will have an impact on the establishment of long-term relationships and foster customer loyalty. Several strategies in maintaining the existence of MSMEs, including creating rational thinking, trust and building coherent values embedded in the social networks owned by MSMEs. Powered by statement of (Tussyadiah, 2015) that business continuity will run well, if supported by parties who work together in a synergistic manner. As for the research by (Prasetyanto, Destiningsih, & Prakoso, 2021) explained that there are aspects of marketing, production and capital that will directly affect the sustainability of MSMEs businesses.

The marketing strategy carried out by MSMEs is to build cooperation between MSMEs, the Government and other actors. Next, strengthening good relationship and expansion consumer network performed with utilizing internet technology, namely e-commerce. The use of e-commerce helps expand marketing and wider communication. Advertisements and updated promo info can continue to be carried out indefinitely, places such as advertisements through Instagram, WhatsApp and Facebook.

The continuity of production is highly dependent on the availability of raw materials and labor. Reducing the amount of production and stopping goods from suppliers, is one of the MSMEs strategies in dealing with the impact of the COVID-19 pandemic, this is in line with research of (Pakpahan, 2020), MSME business actors have stopped their production process because market demand has decreased drastically since Covid-19 began to enter Indonesian territory.

Even MSMEs reduced production to 70%, this was done due to a decrease in the number of customers. On the other side, social network from production whether in family or MSMEs fellow driven by family ties, which are based on identity and purpose equality.

Decrease in revenue on COVID-19 pandemic period has a direct impact on capital. Blocked capital will affect the product manufacturing process (Alfin, 2021). The absence of capital will affect the progress of the business. The completed modal methodology is to exploit a comprehensive organization with public authority. The central government cooperates with local governments to provide assistance to affected MSMEs.

The Head of Diskopukm Perindag, Wasis, stated that during the covid-19 pandemic the central government provided assistance for MSMEs which was channeled through the local government, the City of Serang had disbursed funds for MSMEs with a nominal value of Rp.2,400,000 given in the middle of 2020 on condition that they have an original KTP of Serang City residents and attach an SKU. The Serang City Government also disbursed aid funds for MSMEs with a nominal value of Rp.1.200.000 in February 2021 this is done so that MSMEs that receive assistance are more spread and evenly distributed in Serang City. However, MSMEs that have received credit from the bank cannot apply for the assistance. The registration process is carried out online on the website of Diskopukm Perindag.

The aid can be used by MSMEs to overcome capital problems, buy raw materials and pay for workloads. (Criado, Sandoval-

almazan, & Gil-garcia, 2013) adds networks in neighborhood groups and social media gives traders the freedom to get information about government assistance.

The long-term strategy according to (Sugiri, 2020) in ensuring the sustainability of MSMEs, namely by preparing a vision and mission for progress of MSMEs build computerized innovation as stages in business process MSMEs, make MSMEs action plan and empowering joint efforts between public authorities. On the other hand, (Islami, Supanto, & Soeroyo, 2021) revealed that the use of inclusive networks with the government can be a capital continuity strategy for MSMEs affected by the COVID-19 pandemic.

The welfare obtained by traders at this time, cannot be interpreted that all needs have been fulfilled, both physical and spiritual needs. The desired welfare is a safe, comfortable, and peaceful job, so that they can meet the needs of their families during the crisis when the COVID-19 pandemic hits.

CONCLUSION AND SUGGESTIONS

Conclusion

MSMEs experienced a decline in income and social interaction due to the COVID-19 pandemic. Social capital owned by UMKM typical Banten souvenirs includes trust, norms and social networks. Social capital is the basis for building synergistic cooperation between MSMEs, consumers and the government. The main contribution of social capital is trust and networking has a positive effect on the sustainability of MSME-based businesses e-commerce.

Suggestions

There is a need for directed collaboration from the Serang city government to MSMEs typical of Banten, such as the addition of related e-commerce training programs for the development of MSMEs that are more independent, innovative and creative. Proactive efforts from MSMEs are also needed to increase social capital for business continuity, such as the

formation or participation in MSMEs associations in order to develop a wider business.

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