

# The Digital Economy Growth in Indonesia through E-Commerce

**Michael Putra Hartanto, Stephanie, and Doni Purnama Alamsyah**

Entrepreneurship Department, BINUS Business School Undergraduate Program

Bina Nusantara University

Jakarta, Indonesia 11480

michael.hartanto001@binus.ac.id, stephaniesutanto97@gmail.com, doni.syah@binus.ac.id

## Abstract

This study aims to open insights to the Indonesian people, especially readers, about the potential for digital economic growth in Indonesia as a new economic source that can be broadly developed to become a new area of economic growth for the community as well as land for the country's foreign exchange-earners if it is processed carefully. by the government itself. However, we need to know; there are still many obstacles that must be faced by Indonesia in the development of the digital economy in Indonesia itself. Lack of education and training regarding technology such as the internet, computers, and other digital technologies for the public can hinder the development of the digital economy in Indonesia itself. In this paper, we will discuss these two problems and how to solve them. First, there needs to be participation from the community itself to develop themselves in learning skills in using electronic media such as computers, the internet, and building simple websites. Second, the government also needs to have a vision for the future, especially in seeing the opportunities for the development of the digital economy in Indonesia. One way to do this is by making regulations related to the use and operation of the digital economy. So, when the digital economy has begun to develop, the government can solve the problems that exist in it. Why are we optimistic in discussing the digital economy? Because of the results of the research that has been carried out in March 2020, the use of digital economy platforms in Indonesia is increasing. Nearly 70% of internet users search for or buy products on digital platforms such as Shopee or Tokopedia. This proves the good prospects of the digital economy in Indonesia. Finally, the benefits that you will get from reading this paper are getting insight into the prospects for the digital economy in Indonesia and on things that need to be considered in developing the digital economy in Indonesia. So, the development of the digital economy in Indonesia can grow faster and can revive the nation's economy.

## Keywords

Digital Economy, E-Commerce, Community

## 1. Introduction

In the millennial era like today, the internet is an important thing that everyone must have in carrying out their daily activities (Mäkelä, 2013). Increasingly day by day, more and more people worldwide, mostly Indonesians, are using internet services to support their daily (Christiadi et al., 2018). Not only is it a recommendation, but the internet and introduction to the digital world have become demands for Indonesians at this time. The growing use of the internet is accompanied by the high need for electronic devices that become a medium for connecting to the virtual world (Ratna, 2011). This, of course, opens the Indonesian people's mindset about the great opportunities we have in the era of digitalization like today ini (Rasmitadila et al., 2020). In ancient times, we were much looking for information through books that we had to get by buying at a bookstore or borrowing books from the library, which took time and money. Besides, mobilizing to reach the place can, of course, be a waste of time. Likewise in ancient times, we had to buy a product by making notes in a notebook or piece of paper and then, we went to the destination with the possibility that the item was for sale at that place. However, what if the item is not sold at the shop? Of course, we have to buy these items in stores, or other places, which of course looking for these items from a store to store is a waste of time and costs quite a lot. Not to mention the lack of efficiency.

Today, our lives are much helped by the digitization era (Abdullah, 2020). All forms of activity are greatly assisted by the presence of the internet and the development of existing technology (Novari, 2020). At this time humans can quickly get information through various websites and search engines that we can access via the internet media. Besides, the

digitalization era made it easier for us to carry out economic activities through internet media (Abdullah, 2020). We know that building a website on the internet is as easy as putting together a puzzle game on the internet. Besides, the era of digitalization also changes Indonesian society's mindset as a whole (Ratna, 2011). At this time, ordering an item can be done as quickly as a finger's touch on an online buying and selling application on our gadget. This certainly facilitates the mobility of human activities as a whole which can carry out activities easily, quickly, and is connected throughout Indonesia, even throughout the country.

Because the internet is connecting sellers and buyers who are in the country and abroad, with the value of currency exchange getting higher every year, through virtual media transactions, it indicates that transactions through digital media are commonplace for Indonesians, especially at this (Fikawati & Syafiq, 2011). This research aims to provide insight into the general public about the development of Indonesia's digital economy. Make an active contribution to developing knowledge about the digital economy's development in today's digital era 4.0. Also, knowing the positive impact of the development of the digital economy in Indonesia. So, scientific research can be carried out and provide opportunities for the Indonesian economy's wheels to grow forward with the digital economy's development in the era of digitalization. Besides, we can find out what policy recommendations are best for advancing the digital economy in Indonesia. The legal basis made by the government regarding the digital economy in Indonesia and also its effectiveness. The main obstacle to the advancement of the digital economy in Indonesia is this research. This research will raise the general public's awareness to start entering the digital economy, which is a new economic source that can raise the economic growth rate of the Indonesian State.

## **2. Literature Review**

### **2.1. Digital Economy**

Don Tapscott first coined the concept of the digital economy through his work entitled "The Digital Economy," which has the meaning of a sociopolitical state and economic system which has the characteristics of an intellectual space, including information, various access to instruments, capacity, and information ordering (Beck, 2011; Mirvis et al., 2014; Wise et al., 2012). Besides, there is a definition of the digital economy based on the Encarta Dictionary version. The digital economy is all business transactions that take place on the internet. The digital economy is also marked by the existence of a marketplace or a place to sell in the form of a website or website which is a medium for transactions between sellers and buyers on the internet (Hikmawati & Alamsyah, 2018; Kesumastuti, 2020; Lee & Shin, 2018). Regarding the digital economy, the government is encouraged to respond to the development of the digital economy in (Kesumastuti, 2020; Widyastuti et al., 2016). Policies on the ease of starting a digital business, tax payment policies for those concerned, and guidance in computer technology mastery, the internet, and websites in developing digital businesses for MSMEs and SMEs in Indonesia.

The digital economy is an economic aspect based on the use and empowerment of digital information and communication technology (Helm et al., 2019). In Southeast Asia, the digital economy is overgrowing in line with huge market potential (Suma Vally & Hema Divya, 2018). Five technologies can trigger the growth of the digital economy in the Southeast Asian region, namely the mobile internet, big data, internet of things, automation of knowledge, and cloud technology (Aceto et al., 2020). The digital economy in Indonesia is manifested in a variety of industries. Not only focused on e-commerce, but the digital economy has now penetrated the fields of transportation, banking finance, agriculture, and urban planning (Kesumastuti, 2020). The development of the digital economy itself is directly proportional to the use of the internet in Indonesia. One proof of this is the proliferation of various start-up businesses; even now, four of them have the title of Unicorn. It is hoped that the digital economy in Indonesia can also be applied to other industrial sectors.

The digital economy in Indonesia can indeed have many positive impacts, but this is also a challenge for the government in making policies (Hikmawati & Alamsyah, 2018). With the development of the digital economy, it can make it possible to emerge, new business models, integration between business sectors, and changes to business models on the existing sector (Pachare, 2016). Indonesia is one country that has great potential for the development of the digital economy (Pamungkas et al., 2017). The emergence of various digital applications as tools for payment is one proof that shows the development of the financial sector in the era of this digital economy (Suma Vally & Hema Divya, 2018). Not only a payment system, but digital applications related to the system financing also began to be developed and used by the community (Alaeddin et al., 2018). No wonder, currently, topics related to financial technology or often referred to as fintech are frequently discussed by economic actors digital.

### **2.2. E-Commerce**

It is known that E-Commerce begins with the word Electronic Commerce Commerce (Lee & Shin, 2018). In 1998, Kenneth C. Laudon stated that e-commerce is a buying process carried out by internet users on a B2B basis, and B2C

through an online buying and selling platform to conduct business transactions (Junadi & Sfenrianto, 2015). E-commerce is built to make it easier for consumers to make transactions (Amiri et al., 2010). So, consumers do not need to go round and round from one offline store to another. Besides, we know that purchasing products through e-commerce can be cheaper than prices at offline stores. E-commerce does not require rental fees, shop employee salaries, electricity costs, store operating costs, like offline stores. For companies, e-commerce helps companies develop business in an era filled with business pressures like today (Scupola, 2009). Besides of cost efficiency is also the main reason companies use e-commerce platforms as consumers' primary choice (Pozzi, 2013).

E-commerce uses information technology and digital processing communications to conduct business transactions to create, change, and redefine the relationship between sellers and buyers (Fan et al., 2016). E-commerce uses information technology and digital processing communications to conduct business transactions to create, change, and redefine the relationship between sellers and buyers (Junadi & Sfenrianto, 2015). Business-to-Business (B2B) is a type of e-commerce that is the largest because it includes transactions between companies or businesses (Zhao et al., 2014). People or parties carry out this type of B2B business interested in running a business, where both know each other and know the business processes they are doing (Chang et al., 2014). Usually, this type of B2B is carried out sustainably because both parties benefit from each other, and there is mutual trust. Business-to-Consumers (B2C) is the most common type of e-commerce business and is most recognized by the public (Oflac et al., 2015). If B2B markets goods and services to other companies, B2C is a transaction process carried out between producers of goods or services directly to the final consumer (Awa, 2010). Business-to-Consumers are like retail stores that have retail products for sale and warehouses for stock items (Scupola, 2009). What distinguishes it from regular retail stores is that this transaction process is carried out online. B2C is more effortless and more dynamic so that it can grow very fast (Pozzi, 2013). The ease of building a website makes lots of virtual shops spread across cyberspace. Causes competition in this type of e-commerce business to be very tight and tends to be uneven (Zheng et al., 2012). However, when compared to regular retail stores, B2C provides more information.

### **3. Methods**

This research includes qualitative research with data and information obtained from the Ministry of Communication and Information Technology and other sources such as the Central Bureau of Statistics and online media. A personal interview was also carried out with several active internet users from several backgrounds, namely students, workers, entrepreneurs, and civil servants in Bandung.

### **5. Result and Discussions**

Know that 80% of the activities we do today are related to electronic media; this has become a tradition or daily activity carried out by conscious and unconscious everyday people. It also makes electronic media closer to humans and is also made more sophisticated every day. The easier it is to access electronic devices, it makes it easier for humans to use electronic media and use it in their daily lives. The knowledge and abilities of the Indonesian people in the operation of electronic devices and internet media that are increasingly reliable have made the Indonesian people more developed in the digital economy and connectivity through social media and the internet. Indonesia's economic growth rate is increasing every year. Especially in the digital economy, where the economy carries out its transactions through digital media. We know that 77% of internet users open pages or websites related to product information or for shopping online or online. It indicates a potential for a shift in the habits of the Indonesian people from shopping through brick to brick media or visiting shops in person, which takes time and money. They are shifting to make product purchases cheaper and more comfortable by purchasing products through online stores.

We know that the number of people who buy through digital media is increasing every year. Where on average, each year it increases by one million people. It means that the number of Indonesians who are increasingly familiar with online purchasing methods. Suppose this number increases, the more excellent the opportunity that can be taken to advance the digital economy in Indonesia. The digital economy must be supported by the formation of better infrastructure in Indonesia. The infrastructure in question is in the form of internet facilities, technology-based educational facilities. The government must also initiate recommendations to shift to the digital economy to MSMEs and SMEs, which are parts of the nation's economy that can develop from the lower to the middle. It is known, at this time, there are many e-commerce retailers scattered on the internet. Tokopedia, Shopee, Bukalapak, and Blibli. Some of these e-commerce days are getting bigger and more advanced due to several supporting factors. First, of course, support from consumer trust to buy products on the e-commerce page. Second, big investors' support, including support from the Jokowi Dodo administration, supports the development of industry 4.0, which is the progress of the digital economy in Indonesia. The increase in the value of the retail e-commerce business in Indonesia certainly advances the nation's economy from the upper to middle sectors. However, this is certainly not enough. There must be support from

the government and digital retail owners to support the nation's economy, especially in the digital economy in the lower to the middle sector. The nation's welfare is more evenly distributed, and there is no economic gap in Indonesia. Several steps that the government has taken since 2014 under the Coordinating Ministry for Economic Affairs coordination together with the Ministry of Communication and Information to support the advancement of the digital economy in Indonesia. Together with e-commerce entrepreneurs, the government works by mobilizing experts regionally and globally to synergistically build and develop the right ecosystem for developing the digital economy and industry in Indonesia. Face-to-face workshops or coaching and appeals to business people can be steps to build awareness of business people, especially MSMEs and SMEs, to participate in the digital economy, which is a promising new land for the growth development of the Indonesian economy equally. There are five main principles in developing the digital economy designed by the government through affirmative steps, namely:

1. Every Indonesian citizen has the same opportunity to access digital channels and become a business actor.
2. Every Indonesian citizen has the right to know to utilize digital technology to be used as a medium for economic activity.
3. Every action by the government is to minimize job losses in the event of a transition to the digital economy.
4. Every legal action that occurs must have a clear and definite legal basis to maintain legal stability in economic activities.
5. Every vision and mission must be lived out transparently and welcome the digital economy internationally.

We know that the Indonesian government aims to advance the digital economy for significant people in business and middle-low to middle-class economic players through these five principles. Furthermore, justice in doing digital business can support the Indonesian economy from its foundation so that the Indonesian state's progress can occur. Furthermore, we know that the government will provide education about the use of digital technology to all existing groups as a vehicle for introduction, which can then be done by holding workshops, working with digital retail owners to introduce capabilities, and digital technology can do to help the progress of the Indonesian economy. The government can also provide insight and knowledge by cooperating with investors to build business incubators for creative business people so they can develop their business through the digital economy. It is also known that every country's activity must be based on a precise and definite legal basis. So, the government also underlies every digital economic activity based on the applicable law in Indonesia, and any criminal acts that occur in the digital domain of the Indonesian state will be processed using the laws applicable in the country of Indonesia. Finally, we know that the economy is currently happening in the international economy or the global economy to welcome the global economy. The Indonesian state must have the right vision and mission to advance Indonesia's digital economy to compete globally and become a trusted partner for other foreign countries. It can also be achieved if the government acts transparently in every achievement in building the digital economy and building the right ecosystem to grow Indonesia's digital economy.

Targeting the middle to lower-middle-class to the middle class to be aware of the massive potential of the digital economy in Indonesia, of course, requires the cooperation of several government agencies. In addition to cooperation between the Ministry of Economic and the Ministry of Information and Technology, there is a need for cooperation with even smaller parts of the government. For example, cooperation between the Regent or Mayor and the cooperative institution is a savings and loan institution often used by middle to lower-class business actors. Where cooperatives can act as a bridge to convey the government's vision and mission to build the digital economy evenly from small to large businesses, the government must also continue to provide appeals through every state's apparatus to build the trust of every business actor in the vision and mission and the goals the government wants to achieve. The potential possessed by the digital economy in Indonesia is enormous. Especially for creatives and innovators in Indonesia in general. At this time, internet users are increasing day by day, and products are not only seen by the local community or the national community. However, the product can be seen and also purchased by the international community. It is beneficial for business people in Indonesia; this can increase foreign exchange through taxes and money exchange conducted by business people. They were talking about the country's foreign exchange earnings.

## 6. Conclusions

It can be concluded that Indonesia's digital economy has great potential to advance the wheels of the nation's economy. Especially in the Industrial 4.0 era like today. The critical role of the internet, digital retail, and search engines is increasingly essential; it also triggers a market shift where more people are turning to buy products online. Certainly makes it easier for consumers to buy the products they want. We also conclude that the government must provide alternatives for Indonesia to prepare good jobs when there is a shift in Indonesia's economic culture, which has begun to shift to the digital economy. Wherewith this cultural shift, of course, there is a reshuffle in the form of organization that must be carried out by middle-class and upper-class companies. We can also conclude that there are still many Indonesians who have not realized the potential of the digital economy in Indonesia. In particular, for those who are middle to lower middle-class business people. So, it is necessary to share insights with the community of MSME and

SME business people to start developing their businesses through the digital economy, which they can do with various things

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## Biography

**Michael Putra Hartanto** is a Student of Creativepreneurship Program, Bina Nusantara University. He analyzes the behavior of entrepreneurs and contributes to the research in the methodology process.

**Stephanie** is a Student of Creativepreneurship Program, Bina Nusantara University. She analyzes the behavior of financial and contributes to the research in the methodology process.

**Doni Purnama Alamsyah** is Faculty Member and researcher from Bina Nusantara University in Creativepreneurship Program. Have focused research on Green Customer Behavior and interest in collaborative research, as the corresponding author contributes to consumer behavior literacy.