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# Post-Pandemic MSME Performance Revitalization in Jambi Province

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## ABSTRACT

**This study aims to describe revitalization performance of MSMEs in Jambi Province after the Covid 19 Pandemic through product innovation, digitalization and business networks carried out by MSME business actors. The sample from the research consisted of 100 MSMEs which are Micro, Small and Medium Enterprises who have implemented digitalization in their businesses spread across 10 districts and cities in Jambi province. The method used in this research is a survey method and primary data was obtained from distributing questionnaires in combination using Google Form and carried out directly by visiting respondents. This research uses the Smart PLS analysis tool. The results of the research show that digitalization, product innovation and business networks have a positive influence on business performance both directly and indirectly, but with a relatively small percentage of influence, so there is still a need for maximization so that it can significantly bring positive impact on the growth of MSME businesses in Jambi province.**

**Keywords:** MSME Performance, Product Innovation, Digitalization, Business Networks.

## INTRODUCTION

Globally, in developing countries, MSMEs make up around 90% of businesses and more than 50% of employment, representing the majority of GDP (Qalati et al., 2021). Over the last two decades, digitalization has revolutionized not only consumer marketing but also industrial marketing. E-Commerce, mobile devices, smart products, the Internet of Things (IoT), and Artificial Intelligence all fall under the broader concept of digital marketing that includes all activities, institutions, and processes facilitated by digital technology to create, communicate, and deliver value for customers (Herhausen et al., 2020). Entrepreneurial networks are an entrepreneurial spirit related to the creation of new patterns of economic activity networks through the realization of interactive innovation, a bridge between supply and demand, or more generally the integration of various fields of activity (Mardjono & Hariyadi, 2015). The importance of the effects of a network firm also contributes to forming competitive advantage (Knudsen et al., 2021). The higher or wider the company's network, the better the performance of MSMEs, meaning that companies that manage their company networks optimally can create

added value and competitive advantages which ultimately lead to improved MSME performance (Huda & Syamsinirwani, 2019).

In Jambi Province, the number of Micro and Small Business actors (MSMEs) until 2021 is 165,497 business units. The distribution of MSMEs in Jambi province has been published by the Central Bureau of Statistics up to 2021. Based on statistical data for E-Commerce 2020, 85.83% of business actors experience it decreased business income, and only 4.58% experienced an increase in sales and only 9.59% of business actors claimed that they were not affected by the pandemic or that their income was the same as before the pandemic (Statistics Bureau, 2020). This is due to the growing development of e-commerce and the level of community technology literacy which has an impact on the level of consumer criticality in choosing products or services offered by various digital platforms. Many business actors are also at a dead end in increasing their income even though they have implemented digitalization strategies in their businesses, coupled with the pandemic which has made consumers limit their consumption of goods and services which are their secondary needs, so business actors have to think hard about attracting consumers' interest in products and services. that they offer. Highly innovative new products offer companies valuable opportunities for growth and competitive advantage. Innovation researchers increasingly emphasize the importance of product innovation for firm performance, with a particular focus on the critical factors of successful product innovation (Han & Zhang, 2021). The importance of the effects of a network firm also contributes to forming competitive advantage (Knudsen et al., 2021). The higher or wider the company's network, the better the performance of MSMEs, meaning that companies that manage their company networks optimally can create added value and competitive advantage which will lead to increased MSME performance (Huda & Syamsinirwani, 2019). This research focuses on MSMEs who have sold their products online via social media (YouTube, WhatsApp, Instagram, Facebook), websites and/or marketplaces because these are the platforms most often used to promote products. This research aims to be able to analyze how the condition of SMEs in Jambi province post-pandemic and to see whether product innovation, business networking and digitalization can be factors that can revitalize SMEs' business performance after the pandemic.

## LITERATURE REVIEW

### Product Innovation

Product innovation combines either the introduction of new goods or services or significantly improved with respect to its characteristics or intended use." Products stand out from other types of innovation as a result of a creative process in which new and existing ideas are combined in new ways to produce an invention or configuration that was previously unknown and that includes successful commercialization (Blichfeldt & Faullant, 2021).

### Business Network

Business networks are network-related functions that connect actors with various companies such as business partners, friends, agents, and mentors to obtain necessary resources such as information, money, and moral support for network actors (Managerial et al., n.d.). Entrepreneurial networks are an entrepreneurial spirit related to the creation of new patterns of economic activity networks through the realization of interactive innovation, a bridge between supply and demand, or more generally the integration of various fields of activity (Mardjono & Hariyadi, 2015).

### Utilization of Digital Media (Digitalization)

Digitally marketing a product or service means the same as marketing using electronic media, so what is meant by digital marketing is the application of digital technology delivered via online media (website, blog, social media, database, podcast, chatbot, email, marketplace, etc. ) to the market with the aim of making a profit and establishing good relationships with customers (Indah & Yuwana, 2020). Isensee defines "digitalization" as "the transformation of business models as a result of fundamental changes to core internal processes, customer interfaces, products and services, and the use of information and communication technologies" (Isensee et al., 2020).

### Business Performance

Business performance refers to the level of achievement of a company within a certain period of time where good performance is in line with high sales, increasing profits and continuing to grow capital (Machmud et al., 2016). The indicators of MSME performance can be explained as follows (Nursiah et al., 2017); Profit (profit), namely increasing revenue from time to time, Competitiveness, namely the ability of a business to compete with its competitors, Marketing, namely product marketing both from the number of product units and the number of consumers and marketing areas carried out, Business endurance, namely business ability in maintaining its existence.

## RESEARCH METHOD

This research is classified as survey research using a quantitative approach. The data taken is primary data and secondary data, primary data was taken based on direct observation and using a questionnaire distributed to MSME owners in 11 districts and cities of Jambi Province consisting of Kerinci Regency, Bungo Regency, Merangin Regency, Sarolangun Regency, Muaro Jambi Regency, West Tanjung Jabung Regency, East Tanjung Jabung Regency, Tebo Regency, Jambi City and Sungai penuh City. The sampling technique uses the Cluster Sampling method, which is a sampling technique where the sample is divided based on certain groups. Sampling of SMEs was spread across 11 regencies and cities in Jambi Province, from the distribution of 130 questionnaires, 103 questionnaires were returned and 3 questionnaires were returned incomplete, so 100 SMEs were taken as research samples using the Partial Least Square (PLS) analysis.

## RESULT AND DISCUSION

### Genaral Characteristics of Research Respondents

Respondents in the study were divided into 10 regions of origin, namely districts and cities in Jambi province and 7 types of business.


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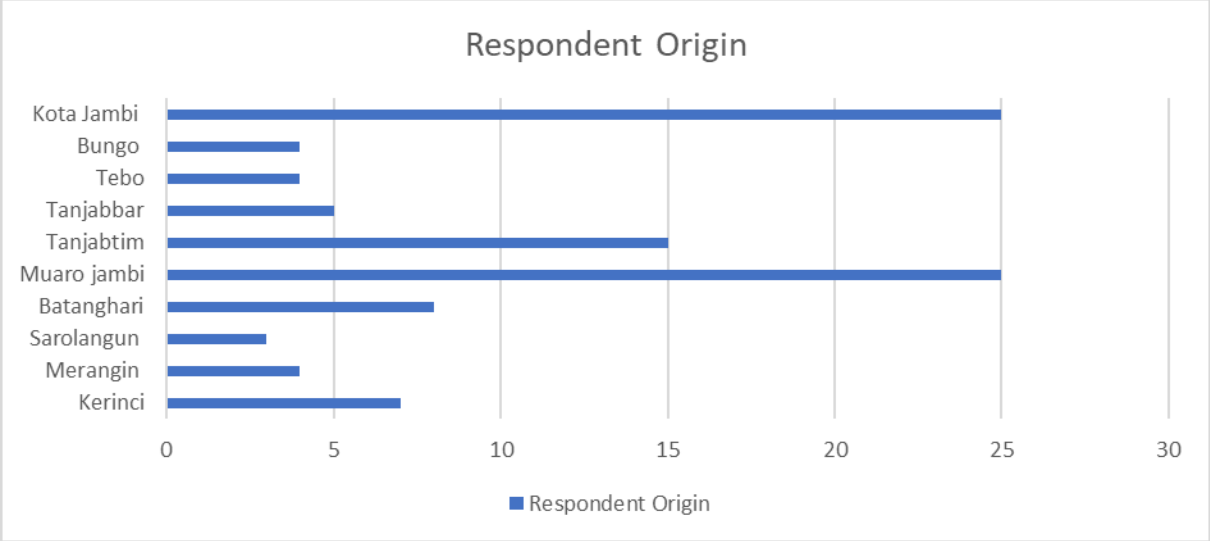



**Figure 1: Respondent Origin**

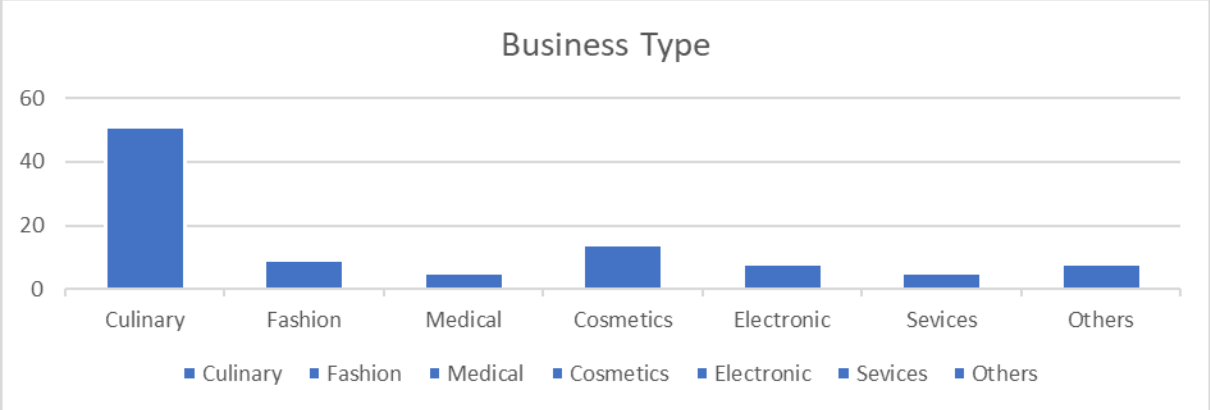



**Figure 2: Respondents Business Type**

## Statistical Test Results with PLS

The results of the loading factor measurement in the initial analysis data showed that the loading factor values for the IP4, J7 and K5 indicators were smaller than 0.7, so these 3 indicators were not included in the model.

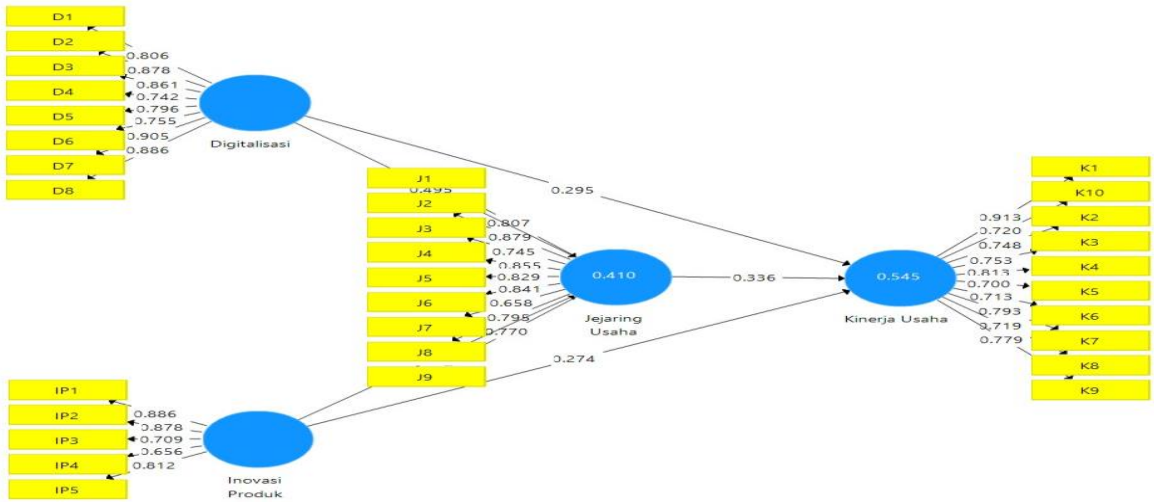



**Figure 3: PLS Model**

## Cronbach's Alpha Analysis

The Digitalization variable is 0.935, the Product Innovation variable is 0.852, the Business Network Variable is 0.929 and the Business Performance Variable is 0.922. The results show the accuracy and reliability of all variables, where the score is greater than 0.7.

## Composite Reliability Analysis

The Digitalization variable is 0.946, the Product Innovation variable is 0.893, the Business Network Variable is 0.941 and the Business Performance Variable is 0.934. The results show that overall, the variables are declared reliable, where the score is more than 0.7.

## Average Variance Extracted (AVE) Analysis

The Digitalization variable is 0.690, the Product Innovation variable is 0.630, the Business Network Variable is 0.640 and the Business Performance Variable is 0.589. The results show that the variables as a whole are declared to fulfill validity, where the score is more than 0.5. as shown in the following table.

**Table 1: Construct reliability and Validity**

| Construct Reliability and Validity | | | | |
|---|---|---|---|---|
| | Cronbach's Alpha | rho_A | Composite Reliability | Average Variance Extracted (AVE) |
| Digitalization | 0.935 | 0.938 | 0.946 | 0.690 |
| Product Innovation | 0.852 | 0.887 | 0.893 | 0.630 |
| Networking | 0.929 | 0.936 | 0.941 | 0.640 |
| Business Performance | 0.922 | 0.926 | 0.934 | 0.589 |

**Table 2: R-Square**

| R Square | | |
|---|---|---|
| | R Square | R Square Adjusted |
| Networking | 0.410 | 0.401 |
| Business Performance | 0.545 | 0.534 |



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**R Square Analysis:**

- The r square value for Business Networks is 0.410 with a criterion of 0.3, meaning that Product Innovation and Digitalization are able to provide a contribution or influence of 0.410 to Business Networks.
- The r square value of Business Performance obtained a value of 0.545 with a criterion of 0.3, meaning that Product Innovation and Digitalization through Business Networks were able to provide a contribution or influence of 0.545 on Business Performance.

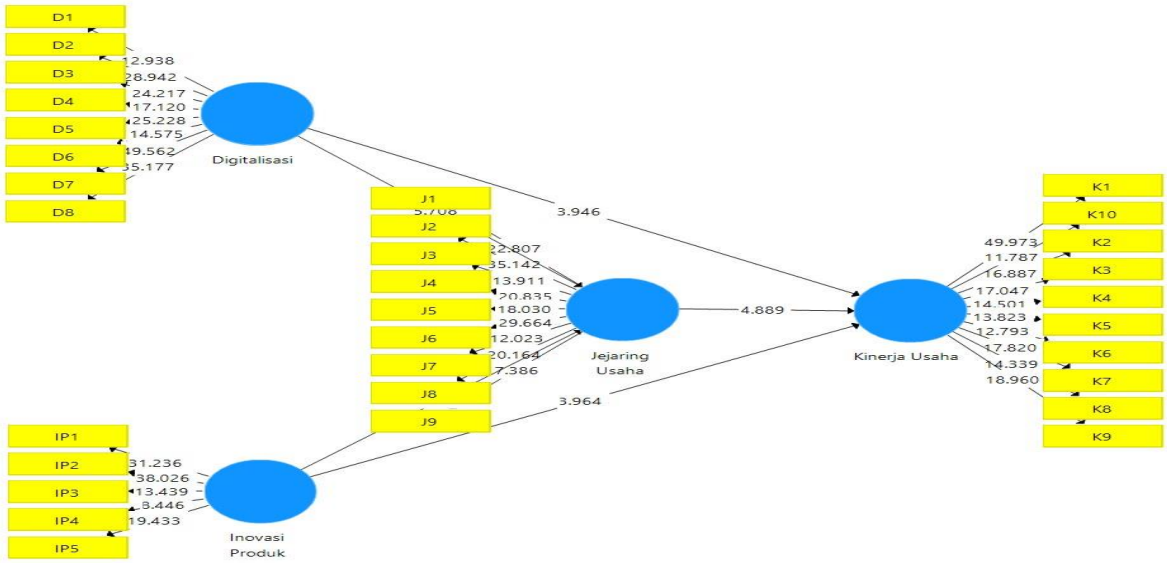



**Figure 3: Model of Bootstrapping**

The T statistic value is > 1.96 and the P value is at a significant level of 0.05, in table 3 below. It is known that each hypothesis for the variable is accepted.

**Table 3: Model Bootstrapping**

| Path Coefficients | | | | | |
|---|---|---|---|---|---|
| Mean, STDEV, T-Values, P-Values | | | | | |
| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (\|O/STDEV\|) | P Values |
| Digitatalization-> Networking | 0.495 | 0.505 | 0.087 | 5.708 | 0.000 |
| Digitalilization -> Buss. Performance | 0.295 | 0.294 | 0.075 | 3.946 | 0.000 |
| Product Innovation -> Networking | 0.249 | 0.246 | 0.097 | 2.556 | 0.011 |
| Product Innovation-> Buss.Performance | 0.274 | 0.280 | 0.069 | 3.964 | 0.000 |
| Networking -> Buss.Performance | 0.336 | 0.336 | 0.069 | 4.889 | 0.000 |

The T statistic value > 1.96 and the P value at a significant level of 0.05, in table 4 below are known for each hypothesis for an indirect relationship on the variable that is accepted.

**Table 4: Specific Indirect Effects**

| Specific Indirect Effects | | | | | |
|---|---|---|---|---|---|
| Mean, STDEV, T-Values, P-Values | | | | | |
| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (\|O/STDEV\|) | P Values |
| Digiitalization→Networking→B.Performance | 0.166 | 0.169 | 0.044 | 3.781 | **0.000** |
| Prod.Innovation→Networking→B.Performance | 0.084 | 0.083 | 0.039 | 2.160 | **0.031** |

Based on the results of the structural model analysis that has been carried out, the interpretation of the results of this analysis will be explained next. The following is an explanation of the results of the structural model that has been carried out following the research questions and hypotheses:

1. Based on the analysis results seen in the structural model, it can be seen that digitalization has a positive and significant effect with the loading factor value meeting the requirements of more than 0.7. This result is in line with research conducted by previous researchers where it was stated that with the digitalization of marketing allows the marketing carried out by these business people to become more widespread, so that they can get more customers and increase purchases. Marketing in this case is with both final consumers and business consumers and business partners (Ayu novita et al., 2022). With the use of digitalization through collaboration schemes with partners such as suppliers, using the WhatsApp business application and partner collaboration with the Grab, Gojek, Maxim or Shopee applications for product delivery, the MSME business network becomes wider.
2. Digitalization has a positive and significant effect with a loading factor value that meets the requirements of more than 0.7. This result is in line with research which states that one of the best ways for MSMEs to market or promoting their business is by using digital marketing through social media or websites, this really helps business people to increase sales of their products to consumers who are actively looking for products or services, making it much more effective and efficient (Octaviana & Rita, 2021).
3. Entrepreneurial behavior has a positive and significant effect with a loading factor value that meets the requirements of more than 0.7. (Lestari & Lubis, 2014) say that business competitiveness is higher can be achieved through business networks because business actors can specialize in products so that businesses are more efficient, reduce transaction costs, and increase flexibility due to the presence of trusted partners. However, the effect is quite small, this is because business networks cannot accept innovative products if the results have not been proven in the market.
4. The hypothesis that links Product Innovation to Business Performance has a significant positive influence.The influence of innovation in this research is relatively low. This is supported by Previous research stated that product innovation had a positive effect on the business performance of the rattan industry in the city of Pekanbaru, but the effect was still low because only a few product innovations were created by business actors (Safri & Syarfan, 2023). There are still not too many MSME players who innovate both products and services and tend to go with the flow, namely creating products and services that are almost the same as their competitors.


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5. The hypothesis that connects Networks to Business Performance has a significant positive influence. Research conducted by Hendriyanto (2015) also shows that business networks have positive and significant influence on MSME business performance. (Kotler & Armstrong, 2018) explain that through various experiences and networks, intermediaries (suppliers) will offer many things more than what the company could achieve if it ran alone. This explains that business networks will really help companies and provide more benefits to companies that partner with them, especially for MSMEs who still really need partners to strengthen their businesses.
6. The hypothesis that connects digitization with business performance through business networks has a significant positive influence, this is also supported by the path coefficient result of 0.166, which means that the path coefficient is in the range 0 - 1. According to research by Armiani et al., (2021) the perpetrator Many MSMEs have used digitalization in their businesses as a medium to promote or market their products for free, but only to that extent they have not maximized the services and features available on both social media and e-commerce so that product marketing has not been maximized. The role of the business network will provide a strong contribution to business performance because it can provide cost efficiency, increase quality, reliability, company image, technology and competitor movements (Hendrawan & Wijaya, 2020). The performance through the network is not yet optimal because MSMEs are still not optimal in utilizing digitalization in their businesses.
7. The hypothesis that links Product Innovation to Business Performance through Business Networks has a significant positive influence. Product innovation is very important because globally, the market has increasing competition. Competitors are increasingly emerging and unable to avoided. Even small differences in the benefits of a product and service will have a big impact on customers (Lestari & Lubis, 2014). The low level of product innovation among MSMEs in jambi province is also due to the lack of technology adoption by business actors. This is explained in research by Salavou et al., (2004) that SMEs can be advised to go beyond the traditional focus, e.g., obtain new technology to develop product innovation. Instead, they can look for better ways by improving their markets and learning strategic competencies.

## CONCLUSSION

This research shows that product innovation, digitalization and business networks all influence the performance of MSME businesses in Jambi Province, but the value of the influence is still very small, especially on digitalization and product innovation, so for this reason business actors need to further maximize the digitalization they have use is not only limited to using regular features but also paid ones and the number of platforms for distributing products has also been increased, while for innovation, not many new products have been produced, on average they just try to follow the flow of competitors and produce products that are on average similar or the same. While business networks have been utilized quite well by business actors, what needs to be improved is banking access and cooperation with supplier partners (upstream).

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