Strengthening the Capacity of Government Apparatus Resources in Supporting Micro Enterprises to “Go Digital” in the Special Region of Yogyakarta

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ABSTRACT

This research contributes to the current knowledge on public sector support for and digital transformation of micro-enterprises. The goal of this research is to identify the necessary public-sector or government support measures for microenterprises and to provide policymakers with guidance on how to facilitate a successful digital transformation. To accomplish our goal, we conducted qualitative research with an in-depth interview with Yogyakarta micro-enterprises to collect authentic data. As a result, we were able to obtain responses from the local government as well as six sectors of MEs in Yogyakarta that was affected by the COVID-19 Pandemic Crisis, namely culinary, processed industry, creative industry, agriculture sector, fashion, and event organizer. According to the findings of the study, supporting digital transformation with full government support has a significant impact on enterprise success, income generation, and crisis resilience. In terms of assisting with the implementation of going digital, the Yogyakarta government already has a fairly good apparatus capital readiness, such as creating a marketing platform “Sibakul,” providing business consulting facilities to micro businesses in collaboration with an integrated business service center, which includes facilitating things about online business, and collaborating with relevant stakeholders such as regional apparatus organizations, and universities. However, the government’s capacity to support micro-enterprises in the Yogyakarta area still has flaws, including in terms of quality and quantity that are not yet qualified and insufficient, a lack of budget to support going digital, and government officials’ understanding of the importance of technology. Another factor to consider in the development of digitalization is the presence of research and development (R&D), which is currently lacking in Yogyakarta.

Keywords: COVID-19 Pandemic, Digital Transformation, Government Capacity, Micro-Enterprises

I. INTRODUCTION

The business world worldwide, as well as Micro Enterprises (MEs), have had to adapt tremendously during the COVID-19 pandemic and are attempting to recover all aspects that collapsed as a result of the COVID-19 pandemic, including the microeconomic sector, also known as MEs. MEs account for 60% of total employment and 50%-60% of national added value, according to the Organization for Economic Cooperation and Development (OECD) (Adam & Alarifi, 2021). As a result, micro-enterprises are engines of innovation diffusion, productivity growth, and job creation. On the other hand, MEs continue to face barriers to accessing strategic resources such as finance, skills, or technology (Wibowo, 2018). Furthermore, MEs are battling inefficiencies in regulatory conditions and government frameworks that are not always in their favor.

In Indonesia, the COVID-19 Pandemic struck in March 2020, affecting many businesses, particularly those in the MEs sector. More than 950 cooperative and ME sectors were reported to be affected, with 68 percent reporting a decrease in income, 6 percent reporting a shortage of raw materials, 10 percent reporting distribution delays, 12 percent reporting working capital difficulties, and 4 percent reporting late production (Kata Data Insight Center, 2020). With a 50-70 percent drop in their household income steadily, many people have become pessimistic and unsure of the economic recovery (Jayani, 2020).

Micro enterprises contribute not only to the economy but also to the level of employment. Nonetheless, MEs face numerous challenges, including branding, determining representative designs, attractive packaging designs, capital issues, and marketing access, as well as limited working capital, insufficient human resources, and a lack of mastery of science and technology (Cotterell & Bowen, 2021). As a result,
to face this crisis, appropriate efforts must be made to assist MEs in surviving to ensure the stability of the Indonesian economy. Innovation breakthroughs are not only the responsibility of MEs actors but also of the government and MEs empowerment actors, to position MEs in the national economy. In order to assist MEs to survive the crisis, Indonesia must also focus on increasing product and service innovation, developing human resources and technology, and expanding marketing product and service distribution, one of which can be realized by MEs “go digital”. It is believed that digital transformation opens up a plethora of opportunities for micro, small, and medium-sized businesses, which are critical players (Katz, 2020). Therefore, MSME actors can engage in product and service innovation, gain market intelligence, gain access to talent, gain access to finance, and potentially enhance competitiveness in local and global markets (Capri, 2017).

There are 64.2 million MSME actors in Indonesia, including 63.3 million micro-enterprises, 783.1 thousand small enterprises, and 60.7 thousand medium enterprises. However, only about 8.3 million business actors, or 13%, have made use of digital technology (DPR RI, 2021). One of the factors affecting MEs’ current performance is their lack of digitization. This is also supported by the findings of a World Bank survey, which found that some businesses that used digital technology, specifically online sales, as a marketing tool did not experience a drop in income during the COVID-19 pandemic (Lukman et al., 2020). Apart from MEs, which has to be ready, the responsiveness of the government, which serves as a haven for MEs actors, is also critical in terms of MEs “Go Digital”

The government has a significant role to play in assisting MEs, and this role begins with recognizing the importance of digitizing MEs for economic growth, job creation, and productivity. Incorporating MEs’ digitization into policy because they are a powerful game-changer for the economy (Kesuma & Istanto, 2021). By conducting business online, MEs can transform and compete on a larger scale, as well as reach the global markets (Marginingsih, 2021). The adoption of digital technology is extremely beneficial to small and micro-businesses. However, there is a digital tool adoption gap between large businesses and MEs, particularly in E-commerce and cloud computing. The government can bridge this gap by providing MEs skill development, organizational change, and process innovation programs (Cotterell & Bowen, 2021; Curraj, 2018; Li, 2019). Another critical role for the government is to provide the necessary infrastructure to support B2B (Business-to-Business) transactions and to use digital tools to promote public services, such as E-government portals to facilitate the issuance of permits and other services to MEs. (Wijaya & Susilo, 2021). Similarly, great technology companies such as Google and Facebook play a role in assisting MEs with their digitization. Recognizing MEs’ needs and providing digital tools and solutions such as Facebook Marketplace and Instagram to support the transition of micro-businesses to online is a critical factor in the survival and survival of many MEs (Kotler & Armstrong, 2013; Mujib et al., 2021).

Yogyakarta, a province on the Indonesian island of Java, has one of the lowest digital inequality indexes in the country (Ariyanti, 2016). Yogyakarta also has one of the highest internet penetration rates in Java (73.8 percent of the province’s total population) when compared to Jakarta, the capital city (80.4 percent) (Kesuma & Istanto, 2021). Between 2015 and 2018, Yogyakarta had a high percentage of citizens who could use computers (Central Bureau of Statistics, 2018). However, the use of technology or digital for online business by MEs in this province is still reportedly low (Lukman et al., 2020). In terms of ME’s ability to adapt to the COVID-19 crisis, the government plays a critical role in assisting MEs in dealing with the crisis. The government provides unprecedented and rapid assistance on a larger scale than it did following the 2008 financial crisis (Das et al., 2020). Tax breaks, direct loans, and grants to help with temporary layoffs, wage subsidies, and assistantships for working fewer hours are all available (Das et al., 2020; Groenendaal & Helsloot, 2021; Tran & Jeppesen, 2016). The logic behind these steps is “give money now, verify later,” which is the correct approach; however, MEs must now recognize that in a changing world with increasingly sophisticated technological capabilities, digital transformation is the key to surviving current and future crises. front. As a result, this paper will examine the readiness of government apparatus resources in realizing Go Digital MEs in the Special Region of Yogyakarta in the face of the COVID-19 pandemic crisis, the end date of which is unknown.

II. LITERATURE REVIEW

Since the 1990s, the term micro-enterprise has been recognized. Micro-enterprises are small businesses owned and operated by poor people or groups with the assistance of sponsoring organizations (Midgley, 2008; Yoshino, 2016). Individuals may own or operate microenterprises, and their family members are frequently involved in (Lateh et al., 2017). Groups of people may own and operate them cooperatively if they are not individually owned. However, the number of participants is usually small, and some experts believe that for a business to be classified as a microenterprise, no more than ten people should be involved (Song et al., 2020; Zutshi et al., 2021). The tremendous relevance of MEs in the development of
the national economy is widely acknowledged. MEs comprise the majority of the world’s businesses, providing a significant portion of employment and tax revenue to state and local governments (Siuta-Tokarska, 2021).

The same is true for the role of digital transformation, which is a critical component in the advancement and modernization of businesses and the economy. As a result, the phenomenon of digital transformation should be investigated within the context of the MEs (OECD, 2020; Rupeika-Apoga et al., 2022). At the same time, because MEs are more vulnerable to the risks associated with entrepreneurial activities than large corporations, it is clear that this group of businesses requires assistance (Lateh et al., 2017; Mujib et al., 2021). For the development and implementation of various support initiatives, a unique approach is required, as is the development of a concept that explains the relationship between the measures used and the results obtained (Nugroho, 2015; OECD, 2020; Rupeika-Apoga et al., 2022). The global economy’s development constantly presents new challenges for any business; in recent years, the digital transformation process has been regarded as one of the most important fields (Midgley, 2008; Rudiatin & Hadiwardoyo, 2021).

Gupta used Principal Component Analysis to investigate the factors that influence the tactical and technological development of Micro, Small, and Medium Enterprises (MSMEs) in the 2012 (Gupta & Nanda, 2015). A total of 55 questionnaires were distributed to units with a minimum annual turnover of 10 lakh rupees. He discovered that MSMEs’ ability to compete in the global market is dependent on their access to resources and that MSMEs with better access to these resources exhibit better innovation and economic performance. External linkage of MSMEs with large enterprises is an important source of technology transfer, technical guidance, and human and financial capital, which leads to MSMEs’ innovative performance (Gupta & Nanda, 2015). As well as Rahman conducted research in 2016 on the challenges that micro and small businesses face in accessing markets, sustaining and expanding their operations, and ensuring the survival of their businesses (Rahman, 2016). Using exploratory research, 45 micro and small business owners were interviewed in-depth. He discovered that MSMEs’ principals’ marketing management skills are generally very low, the quality of the resulting product is still low, causing difficulties in dealing with competitors in the market, continuity in serving customers/partners has yet to be assured, difficulty in using modern production technology due to a lack of capital, and slow in responding to market changes (Rahman, 2016).

What are the most significant challenges and roadblocks to digital transformation? Several barriers are identified in the literature review, including a lack of appropriate financing options, IT security issues, insufficient digital skills of employees, shortages of IT specialists on the external labor market, internal resistance to change, a lack of managers’ knowledge about how to implement change, uncertainty about future digital standards, and so on (Denny, 2021; Midgley, 2008; Nugroho, 2015; Nursalim, n.d.; Rudiatin & Hadiwardoyo, 2021; Rupeika-Apoga et al., 2022; Wulandira et al., 2021). These obstacles are commonly classified as human, technological, and financial factors; however, other factors, such as organizational, legal, and environmental factors, are also important (Irawan, 2020; Mujib et al., 2021; Nadyan et al., 2021).

Even though digital technologies are critical to the future success of a wide range of industries, from business management to customer experience, most executive teams must overcome employee resistance to digital transformation. In reality, however, digital transformation processes occur in a variety of ways, opportunities for MEs vary significantly, and while some market participants have made significant progress in the implementation of digital technologies, the majority are still lagging for a variety of reasons, even postponing digitization, let alone digitalization and digital transformation (Cukier, Fox, & Rahnama, 2012; Minehane, 2019; Sorescu & Schreier, 2019; Waldhauser, 2019). A variety of factors and barriers, including MEs’ lack of information and awareness, skills gaps, capital shortages, and the absence of complementary assets such as technology itself and organizational culture, all contribute to the lag in ME digitalization.

### III. Research Method

This study employs a qualitative method, employing a triangulation model that combines structured interviews, in-depth interviews, and observation of MEs actors and local governments in the Special Region of Yogyakarta, with a focus on the Cooperatives and Small and Medium Enterprises Service. As a result, a research procedure is developed that generates descriptive data in the form of written or spoken words from people, as well as observable behavior. Microbusiness Informants in this study were 50 Yogyakarta-based MEs that used information technology such as marketplace platforms such as Bukalapak, Tokopedia, Shopee, and others, as well as chat platforms such as Whatsapp and Line. Data types for this study employs primary and secondary data collection techniques such as observation, interviews, and documentation. The following data analysis steps are performed concurrently: data
collection, data reduction, data presentation, drawing conclusions, and verification (Miles & Huberman, 1992).

![Diagram of components and data analysis/interactive model](image)

**Fig. 1. Components and Data Analysis/Interactive Model (Miles & Huberman, 1992).**

IV. RESULTS AND DISCUSSION

The global COVID-19 outbreak poses unprecedented socioeconomic challenges for countries all over the world. Not only are countries facing health and humanitarian crises, but also economic crises. Most countries’ restrictive measures aim to contain virus transmission by limiting social contact and ensuring that individuals infected with COVID-19 and potential contacts isolate to protect public health, but they also slow down most economic activities (Dergiades et al., 2020; McKee & Stuckler, 2020). Social restrictions and restrictions on community activities have halted or reduced the production of goods and services (Anderson et al., 2020). Due to the overwhelming nature and scale of enterprises, the production output of many micro-enterprises has taken a significant hit, which has serious implications for national and global supply chains, businesses, and workers’ livelihoods (Huang et al., 2020; Mayr et al., 2020; Qian et al., 2020). Even though MEs account for more than 90% of all businesses in Indonesia, the challenges they face will have an impact on the country’s economic stability (Groenendaal & Helsloot, 2021).

According to the Law of the Republic of Indonesia No. 20 of 2008 on Micro Enterprises, MEs are community activities that can provide job opportunities and services in a broad economic field. MEs play an active role in equity efforts, increasing people’s income, economic growth, and national economic stability (Valerisha & Putra, n.d.). MEs play a significant role in the Indonesian economy; the existence of MEs dates back to the 1998 monetary crisis (Ariyanti, 2016). At the time, MEs were thought to be the state’s helpers in the process of reviving the country’s struggling economy and lowering Indonesia’s unemployment rate.

Indonesia’s daily economic life is supported by the millions of small and medium-sized enterprises (SMEs) that can be found on the country’s small streets, roadside, and retail streets. They employ 97 percent of the domestic labor force and generate 60 percent of the national economic growth (Susilawati et al., 2020). COVID-19 has an obvious impact on businesses, as stringent policies and mobility restrictions have reduced customer base and disrupted supply chains (Açikgöz & Günay, 2020; Li, 2019; Susilawati et al., 2020). The COVID-19 pandemic is forcing retailers, manufacturers, and service providers to rethink their business models. As a result, businesses are beginning to recognize the importance of integrating the majority of their business processes with innovative, age-appropriate methods of delivering products and services. Otherwise, they will be forced to close the business until the crisis is resolved. Given the pandemic’s current uncertain status, MEs that do not rethink their business model to deal with the current crisis and similar situations in the future may be forced to close their doors permanently.

Many changes have occurred in human life over time. One of them is the modernization of human activities through the use of technology. The use of technology to support various human activities is critical in the current era of digitalization. It is undeniable that technology has advanced at such a rapid pace, particularly in the era of the Fourth Industrial Revolution. In this regard, efforts to empower micro-enterprises currently necessitate the use of technological or digitalization elements to support various operational activities ranging from production to distribution (Ariyanti, 2016; Pakpahan, 2020).

By issuing a Government Regulation, the Indonesian government has implemented extensive social distancing measures to manage the COVID-19 pandemic since March 31, 2020. Many local governments followed suit, requiring businesses to temporarily halt or reduce their operations. Considering most MEs and low-tech companies are labor-intensive, the impact of this policy is that nearly 90% of micro-enterprises and 66% of Small, and Medium Enterprises reported a shortage of workers as one of their main operational difficulties (Cotterell & Bowen, 2021; Prasetyanto et al., 2021). The mapping of resource persons from MEs in Yogyakarta is as follows:

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The following are some of the issues faced by MEs in Yogyakarta, as compiled from 50 interviews with MEs:

A. According to this study, the COVID-19 pandemic, as well as large-scale social distancing measures and restrictions on community activities, had the greatest impact on micro, small, and medium-sized businesses. Especially, almost 60% of all MEs who responded reported that at least half of their businesses chose to temporarily close due to little or no market demand during large-scale social restrictions and restrictions on community activities.

B. The greatest threat to the economic viability of MEs is a decline in market demand. The majority of SMEs reported a drop in demand and income. Approximately 80% of MEs reported a decrease in orders, while 95% expected a decrease in income. Reduced demand will have an impact on the business’s ability to function properly and will result in severe liquidity shortages. According to the findings, MEs are more vulnerable than large firms to the economic consequences of large-scale social distancing measures.

C. The majority of MEs emphasize that if the COVID-19 restrictions remain in place due to the high rate of virus spread until the government reinstates activity and social restrictions, they may be forced to close their business operations within six months; however, some MEs remain optimistic that they will be able to recover quickly if the pandemic and related restrictions are lifted soon.

D. Lack of capital is also cited as the most significant issue confronting MEs as a result of social constraints and government restrictions on government-mandated activities. According to the findings of 50 MEs interviewed, 88 percent estimate a loss of income of more than 50 percent in 2020 compared to 2019, and around 35 percent in 2021 due to a new normal.

Micro enterprises argue that the government should enact policies that reduce costs and provide adequate utilities. This policy was proposed by 90% of the micro-enterprises polled and 60% of the food and beverage sector. In the context of the pandemic, MEs want the government to provide additional assistance to businesses for them to stay afloat amid a crisis. According to the research findings, the COVID-19 pandemic crisis has resulted in a decrease in people’s purchasing power. To stop the spread of the pandemic, the public or the public must be forced to reduce outdoor interactions. As a result, many consumers are now keeping their distance and making digital purchases (Sugiri, 2020). As a result, MEs that are unable to use and adapt to digital must close their doors due to declining purchases and must rely on offline sales. Nonetheless, the COVID-19 pandemic has indirectly prompted new business practices in Indonesia. The shift from offline to digital business, also known as the phenomenon of digital entrepreneurship, is the cause of the change. Social media and marketplaces (intermediaries) can be a concept to help ME actors gain greater marketing access (Abusaada & Elshater, 2020; Maria & Widayati, 2020; Maryanti et al., 2019).

Indonesia’s economic recovery is being aided by government consumption, which encourages increases in household consumption and investment. Domestic demand has increased production activity in a variety of business sectors in response to the improvement in domestic demand. The government is also working to improve and increase the effectiveness of its handling of COVID-19 to continue to encourage economic growth (Nicola et al., 2020). In terms of assisting MEs in going digital, the
government has also launched the Proudly Made Indonesia National Movement program, which aims to encourage digitalization (onboarding) for offline MEs as well as national branding of superior ME products in various markets (Valerisha & Putra, n.d.). Furthermore, this movement is expected to boost the ME product exports (Habibi, 2020; Ramadhan, 2020). The government issued Press Release No. 216/HM/KOMINFO/11/2017 concerning Go Digital, the National MEs Go Online Movement, in collaboration with the Ministry of Communication, Information, and Informatics. The government’s efforts are aimed at increasing the productivity of MEs. According to data from the Ministry of Cooperatives and MEs, during the pandemic, online sales increased by 26%, or to 3.1 million transactions per day, compared to the pre-pandemic situation (Kata Data Insight Center, 2020).

The success of micro-enterprises will be more focused and clearer if they are supported by direct government guidance. Government assistance can take the form of capital or technical assistance to help micro-enterprises improve their skills. Digitization efforts by the Special Region of Yogyakarta’s Department of Cooperatives and Micro, Small, and Medium Enterprises in the context of empowering micro-enterprises are a new concept in the development of micro-enterprises in Indonesia, and there is still a lack of awareness from central and local governments, as well as public awareness, to develop businesses properly to improve quality. One of the issues affecting the long-term viability of microbusiness groups today is the digitization of microbusiness products (Dirkareshza et al., 2021; Napitu et al., 2021).

The following are the efforts made by the Provincial Government of the Special Region of Yogyakarta to assist MEs in going digital:

**Establishment of a “Sibakul” Selling Platform**

The COVID-19 pandemic has prompted Yogyakarta Cooperatives and the SMEs Office to innovate. In the midst of ME competition in selling products or goods, including products made by ME actors, every ME actor must have the right strategy in marketing their products to survive and develop among competitors. Since the implementation of the free trade system, ME actors have had to begin and change strategies to compete with other MEs. With digitization and efforts to introduce MEs so that business actors are aware of the digital role, the presence of the Yogyakarta Cooperative and SME Service’s SiBakul Jogja program is an effective solution to introduce and prepare ME actors, in developing their business. SiBakul Jogja is a data center for Yogyakarta cooperatives and SMEs, where cooperative and SME development activities in the Yogyakarta area must be integrated with data from SiBakul Jogja to maintain up-to-date, solidity, accuracy, and integration. SiBakul Jogja is a system of MEs and cooperative development activities that guide not only the micro-enterprises owner but also SME players in determining steps to modernize and develop their businesses, whereas the MEs become modern and effective wheels of the economy.

![Platform Sibakul Jogja](https://sibakuljogja.jogjaprov.go.id/app/)

**SiBakul Jogja coaching platform** is used to encourage cooperatives and SMEs to be more entrepreneurial. In addition to being a center for innovation and solutions to a variety of problems encountered in the development of MEs in the digital era. MEs advance and develop, eventually becoming the backbone of a modern and effective economy. Furthermore, through the SiBakul Jogja program at the Yogyakarta SME Cooperative Service, this platform is used to oversee and ensure the sustainability of innovation and promote MEs, and it is then developed into a marketplace to market the products or results of MSME actors. In practice, MEs registered with SiBakul Jogja through MarketHub can carry out business development and market their products via the website provided, namely https://sibakuljogja.jogjaprov.go.id/market/. MarketHub is a Marketplace service that allows MEs to easily market their products via SiBakul. On this website, customers can search for products, order products, and place them in a shopping cart for future purchases, as well as track previously placed orders.
orders. In addition to the provided website, ME actors can conduct online promotions through social media platforms such as Facebook, Instagram, and others. The Yogyakarta Cooperatives and SMEs Office bear all shipping costs for the SiBakul Jogja service.

This is provided to business managers to pique the interest of consumers in MEs products through Free Shipping. This strategy has been shown to assist and encourage ME actors to remain enthusiastic about their sales and productivity. Gojek, Grab, and Jogja Kita have joined forces to offer free shipping. The SiBakul Jogja Free Shipping Program will begin in February 2021, from 07.00 to 17.00 WIB, with a minimum transaction requirement of IDR 50,000 (fifty thousand rupiah) and a distance limit of 30 km for the Special Region of Yogyakarta.

**Facilitating Business Consulting For MEs Through Integrated Business Service Center’s Seven Main Services**

Integrated Business Service Center is a non-financial services institution established by the Republic of Indonesia’s Ministry of Cooperatives and SMEs. Integrated Business Service Center works to improve the capabilities of cooperatives and SMEs by increasing entrepreneurial, managerial, technical, and institutional performance capacities to improve MEs’ competitiveness. The development of the Integrated Business Service Center is expected to be able to synergize and integrate all potential productive resources owned by central and regional governments, as well as provide business development services, especially to micro-enterprises. Yogyakarta’s Cooperative and SMEs Service also provides an Integrated Business Service Center Consultant service, which is overseen directly by the Yogyakarta Cooperative and SMEs Office Head in collaboration with the Entrepreneurship Sector. The Integrated Business Service Center Consultant provides seven main services, which are as follows:

1) Networking and sharing experiences with large/medium entrepreneurs in other institutions that help MEs grow. One of the services provided is the formation of the Integrated Business Service Center partner group in which ME actors can share business knowledge.

2) Promotion and Marketing, getting access to promotion and marketing facilities can promote exhibition events organized by the Department of Cooperatives and SMEs in Yogyakarta and work together with promotion and production marketing agencies such as Marketing Service Agency and the Ministry of Trade.

3) Mentoring or monitoring is a service provided to MEs who want to advance to the next level, develop their business, and solve business problems by participating in class mentoring.

4) Financing Access Facility, which includes credit to both banking and non-bank institutions. Financing facilities provided by the government or local government agencies, as well as national and international donor assistance based on predetermined criteria.

5) Business Training, in addition to improving product quality for existing MEs and training in management skills for business development, can also develop products by incorporating the most recent innovations.

6) Business Consulting, entails providing consulting services related to the performance and competitiveness of ME businesses as well as being able to ask experts business questions.

7) Entrepreneur Library Service, which offers multimedia information based on e-business as well as books, magazines, and journals that can be studied independently.

**Collaborate Effectively with Related Agencies, Universities, Private Parties, and Other Sectors**

Behind all of its advantages and resources, the government faces constraints in carrying out its responsibilities, including equally empowering all MEs in its territory. As a result, the Yogyakarta government collaborates with various stakeholders such as other Local Apparatus Organizations such as the tourism office, trade industry office, agriculture service, and others, then universities, business or private parties, and other sectors to cover the government’s limitations. Collaboration with various parties from the government, private sector, and community in providing independence and policies that favor MEs is critical, given the government’s goal of having 30 million of the 64 million MEs go digital or integrated into the electronic system by 2023 (Arianto, 2020). In this case, synergy takes the form of participating in helping to empower MEs by organizing educational training for MEs, assisting with capital, and providing marketing displays for ME products. This collaboration is a source of strength for the Yogyakarta Government in its efforts to empower MEs to thrive in any circumstance.

It can be concluded from the government’s efforts that, to encourage digitalization and make it easier for MEs to face the changes that occur, the government has increased the ease of access and transferred technology to ME actors thus they can compete in the business (Idah & Pinilih, 2020). Furthermore, reflecting on experiences in developed countries that show MEs as a source of production and technological innovation, creative and innovative entrepreneurial growth, the creation of skilled workers,
and the flexibility of production processes to deal with changing market demands that are becoming more diverse and specific (Adam & Alarifi, 2021; Muzdalifah et al., 2020). The capabilities of UMKM are heavily influenced by a variety of factors, including human well-being, technological advancement, access to information, output markets, and input markets (Khairin et al., 2021).

However, there are some barriers to the Provincial Government of the Special Region of Yogyakarta’s readiness in implementing MEs to Go Digital, as follows:

**a) The Quality and Quantity of Human Resources are Limited**

In general, the number or quantity in the MEs service in Yogyakarta Government is sufficient if it refers to the applicable regulatory rules with provisions for Civil Servants and Candidates for Civil Servants. However, many employees are elderly, making it difficult to adapt to technology in this digitization era. As a result, the need for contract employees is an effective solution to the government’s shortage of numbers and abilities. It should be emphasized that employee ownership with the required level of competency mastery, loyalty, and attitude in developing business units becomes important.

**b) A Lack of Funds to Maximize the Use of Digital Technology**

When it comes to the budget, the majority of the MEs service budget comes from the Regional Revenue and Expenditure Budget and the Special Allocation Fund, while Yogyakarta’s provincial government also receives funding from the Yogyakarta government’s special fund. The budget is used to fund training, socialization, equipment assistance, and office operations. Since the COVID-19 pandemic, the budget for district and city MEs offices has been cut or diverted to handle COVID-19 to aid economic recovery as a result of the pandemic, thus the budget that was previously said to be sufficient has now become less for MEs empowerment.

**c) Not All Government Employees Are Technologically Savvy**

The majority of human resources or service workers are elderly people over the age of 40 years old, whose level of expertise in this increasingly advanced technology is not the same as workers who are young or around 20 years old. As a result, there is a lack of understanding of technology that can assist MEs in developing more quickly. Consequently, the current use of technology is inefficient.

**d) There Has Not Been Any Research & Development Yet**

Research and development are one way for the government to help MEs grow. By examining the needs of business actors, research and development can greatly assist the government in making policies. Unfortunately, the Yogyakarta government has not been as aggressive in the development of research and development and may not have developed it at all due to a variety of factors. This is what enables the synchronization of what ME actors require with the facilities provided by the government.

The greatest possible levels of government must be the key considerations in promoting the digital strategy, while ministries and local governments with a cross-cutting mandate must be involved. Furthermore, the digital strategy should be better integrated with the various action plans associated with the digital transformation processes (Song et al., 2020; Tran & Jeppesen, 2016). Professional training and workforce-sharing programs between public institutions, multi-stakeholder interaction on digital policymaking through trust-based partnerships, and finally international engagement in the area of digital strategy for economic and social prosperity may be facilitated.

**V. Conclusion**

Micro-enterprise (MEs) development is a critical tool for national development and poverty eradication, particularly during the COVID-19 pandemic; providing knowledge, training, and good policies, particularly in support of going to digital transformation with full government support, has a significant impact on enterprise success, generating income uplift-man, and resilience in crisis. In terms of assisting with the implementation of going digital, the Yogyakarta government already has a fairly good capital readiness of the apparatus, namely creating a marketing platform “Sibakul,” providing business consulting facilities to micro businesses in collaboration with an integrated business service center, which includes facilitating things about online business, and collaborating with relevant stakeholders such as regional apparatus organizations, universities, and so on. However, in terms of supporting micro-enterprises in the Yogyakarta area, the government’s capacity still has flaws, including in terms of quality and quantity that are not yet qualified and insufficient, and there is still a lack of budget to support going digital, such as for infrastructure upgrades, training, and others. As a result, government officials’ understanding of the importance of technology remains limited, even though the understanding and readiness of micro-enterprises can be seen in government officials’ readiness to understand the importance of digitalization, particularly in the field of micro-enterprises. Another factor
that must be considered in the development of digitalization is the presence of research and development (R&D) in a government agency, there is not one in Yogyakarta yet.

Our research has some limitations. Since this study is primarily based on Yogyakarta Province MEs, it would be beneficial to include local governments and MEs from other countries in future studies on more effective public sector capacity support for micro-businesses. Even though the local government, particularly the Cooperative and Micro, Small, and Medium Enterprises Office, and six sectors of MEs in Yogyakarta affected by the COVID-19 Pandemic Crisis, which are culinary, processed industry, creative industry, agriculture sector, fashion, and event organizer, are acceptable, it would be useful if other provinces or countries were included. It would be interesting to keep track of the government’s financial performance for micro-enterprises capable of self-driving digital transformation as well as those in need of public assistance.

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CONFLICT OF INTEREST

The authors declare that they do not have any conflict of interest.

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CONFLICT OF INTEREST

The authors declare that they do not have any conflict of interest.
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