

The Influence of Digitalization on Economic Growth by Mediation of Increasing the Productivity of MSME in the Culinary Field in Purwakarta Regency

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Abstract

The use of digitalization (e-commerce and social media) can increase the productivity of MSME on economic growth in Purwakarta Regency. This study aims to determine whether digitalization mediates the increase in MSME productivity on economic growth in Purwakarta Regency. This research uses quantitative research methods with data collection techniques using questionnaires, and literature studies. The sample used in this study is culinary MSME that have used digitalization, with a total sample size of 100 MSME. Data processing techniques using smartPLS 3.0. The results showed that digitalization mediates the increase in MSME productivity on economic growth in Purwakarta Regency. Digitalization can affect economic growth through mediating increased productivity of MSME because MSME players can take advantage of digitalization as a medium for online promotion so that their products are better known and can increase sales, so that production targets are achieved. Thus, business profits will increase economic growth in Purwakarta Regency. This research contributes especially in the field of digitalization that can have an economic influence in Purwakarta Regency. Especially for umkm actors in the culinary field. The results of this research are literature that can help increase productivity in MSME.

Keywords: digitalization, economy growth, MSME, productivity improvement.

1. INTRODUCTION

The micro, small, and medium-sized enterprise (MSMEs) sector is among the many economic sectors that have been significantly impacted by the advent of digital technology. According to (Suwarni, 2023) MSMEs are the engine of the Indonesian economy since they can employ the majority of the labor force. Nonetheless, MSMEs' difficulties growing in a more cutthroat market drive them to increase their usage of

digital technology. The development of MSMEs can profit greatly from digital technology, which is advancing quickly alongside science and technology. One such benefit is the use of software as a tool to boost MSME productivity. MSMEs can employ digital technology in the form of applications to track finances, determine the amount of raw materials they will need, create digital advertisements, and acquire market knowledge that will increase their productivity and competitiveness. Many improvements to economic growth have been brought about by the influence of digitization, which has increased business income. Social media is widely used by Indonesians for communication and information sharing. MSMEs can increase their market share and improve customer awareness of their products by using digitalization as a digital marketing tool.

MSMEs have a role in increasing gross domestic product (GDP). According to *opendata.jabarprov.go.id* the number of MSMEs in West Java in 2020 was 5,892,792 and in 2022 it was 6,257,390. This shows that the development of MSMEs is currently experiencing a significant increase. MSMEs in Purwakarta Regency consist of various types of businesses such as food, textiles, crafts and others. MSMEs engaged in the culinary sector in Purwakarta Regency are one of the sectors that have the most potential to grow and develop. The obstacles faced by MSMEs, in addition to the tight competition, are also the lack of literature as a source of information for MSME actors to determine their business development strategies. Based on data obtained from *opendata.jabarprov.go.id*. The number of culinary MSMEs in Purwakarta Regency increased in 2021 to 42,149. In addition to the large number, the existence of fast food restaurants such as McDonald's, Starbucks, Pizza Hut, Burger King, is a threat to culinary MSMEs in Purwakarta. MSME productivity also needs to be increased, thus MSME business actors in Purwakarta must be able to create competitive advantages in order to survive and face very tight competition. In this study, the problems that arise in culinary MSME business actors in Purwakarta are the difficulty of MSMEs in implementing digital strategies due to limited human resources, minimal innovation and partnership networks, limited capital for promotion, difficulty in understanding and applying the technology used in digital marketing strategies, and limited marketing reach. So that MSMEs need to determine the right strategy in determining a digital

marketing strategy that suits the needs and characteristics of their business. by utilizing digitalization through MSME productivity so that it can increase economic growth in Purwakarta Regency. This study will examine how digitalization mediates increased MSME productivity towards economic growth in Purwakarta Regency. so that the results of this study will later become a source of literature that can help increase productivity in MSMEs.

2. METHOD

This study uses a quantitative method. With data processing techniques using Smartpls 3.0. Data collection in this study used questionnaires and literature studies. The sample used in this study was 100 UMKM culinary UMKM samples that had used digitalization in Purwakarta Regency.

3. RESULTS AND DISCUSSION

Research Result

The results of the loading factor test on the indicators of each variable are available in the table below:

Table 1. Outer Loadings

	Digitalization	Increased productivity_	Economic growth
D2	0.842		
D3	0.874		
D4	0.812		
D5	0.826		
PE 1			0.883
PE 2			0.848
PE 3			0.834
PE 4			0.833
PE 5			0.807
PP 1		0.859	
PP 2		0.812	
PP 3		0.843	
PP 4		0.859	
PP 5		0.856	
D1	0.914		

Loading factors show the relationship between the construct and its indicators, where the loading factor value is more than 0.70. A high loading factor value indicates that the indicator is strong in representing the construct and vice versa.

Data Analysis and Results

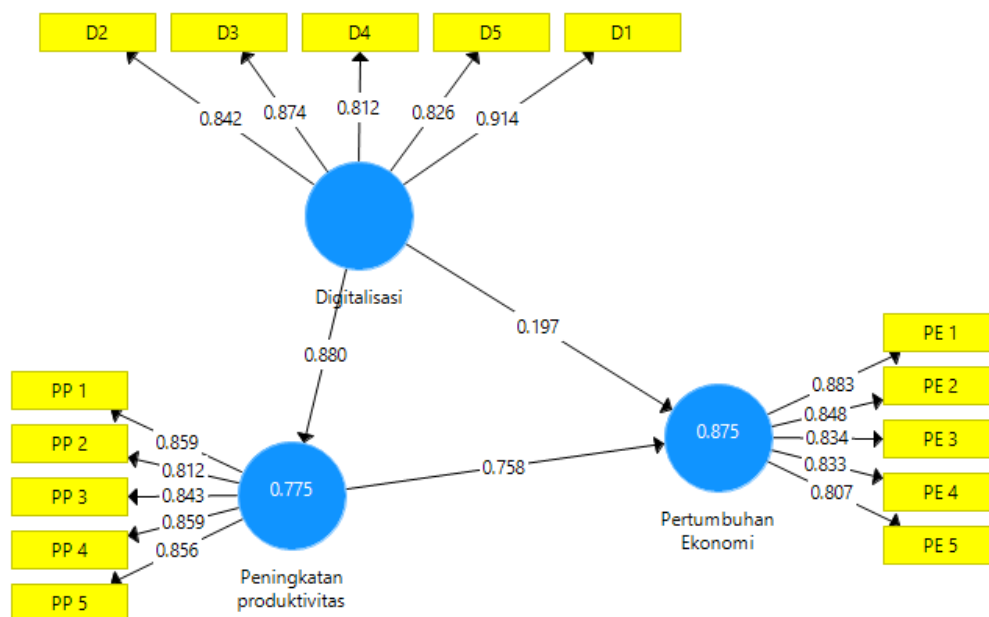


Figure 1. Measurement Results

Data analysis shows that all variable indicators have been identified as valid with values > 0.700. This means that these findings show that the majority of indicators in the three research variables have high validity values, indicating that the research instruments are able to measure the construct in question well. Below are the data

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
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reliability results, as follows:

Digitalization	0.907	0.909	0.931	0.730
Increased productivity_	0.900	0.901	0.926	0.715
Economic growth	0.897	0.900	0.924	0.708

Table 2. Data Reliability

The results of data reliability analysis for both Cronbach's Alpha, rho_A, Composite Reliability and AVE show valid results. Below are the results of discriminant validity.

Table 3. Discriminant Validity

	Digitalization	Increased productivity_	Economic growth
Digitalization	0.854		
Increased productivity_	0.880	0.846	
Economic growth	0.864	0.931	0.841

From the results of the table above, it explains that "For each indicator item in the construct, the factor loading value is higher than the cross-loading value. Therefore, it can be said that all constructs or latent variables have strong discriminant validity, and have better performance. good compared to other indicator blocks in the construct indicator block, which consists of model fit tests, path coefficient analysis, and R² model fit analysis, the aim of which is to ensure that the models fit the data obtained, is depicted in the table below:

Table 4. Fit Summary

	Saturated Model	Estimation Model
SRMR	0.056	0.056
d_ ULS	0.372	0.372
d_ G	0.352	0.352
Chi-Square	198,630	198,630
NFI	0.864	0.864

The results in Table 4 fit summary show that the tested model has an estimated SRMR (Standardized Root Mean Square Residual) of 0.056, d_ULS (Unweighted Least Squares) of 0.372, and d_G (Gower's Distance) of 0.352. In addition, the results of the Chi-Square analysis show a value of 198,630, and an NFI (Normed Fit Index) value of 0.864. In the context of quantitative research, a saturated model refers to a model that has degrees of freedom equal to zero, which means that the model perfectly fits the observed data. A low SRMR estimate (0.056) indicates that the model has a good level of fit with the data. In addition, low d_ULS and d_G values (0.372 and 0.352) indicate that the model has a good fit with the data. In addition, the significant Chi-Square analysis results (198,630) indicate that there is a significant difference between the tested model and the observed data. However, the high NFI value (0.864) indicates that the model has a good level of fit with the data.

Hypothesis Analysis Results

- H1 : It is suspected that there is an influence of X1 (Digitalization) on Y (Economic Growth)
- H2 : It is suspected that there is an influence of X2 (Increased Productivity) on Y (Economic Growth)
- H3 : It is suspected that there is an influence of X1 (Digitalization) on X2 (Increased Productivity)

The hypothesis is stated that there is an influence if the Tstatistics value is > 1.96 or the P-Value is below 0.005. The bootstrapping test results below explain the hypotheses H1, H2 and H3, as follows:

Table 5. Bootstrapping Results

	T Statistics (O/STDEV)	P Values
Digitalization -> Increased productivity_	26,092	0,000
Digitalization -> Economic Growth	2,102	0.036
Increased productivity_ -> Economic Growth	8,670	0,000

The results of bootstrapping the conceptual model (as hypothesized in the figure above and summarized in Table 5) revealed both significant and non-significant findings. Specifically, several of these variables are H2: Increased productivity has an influence on economic growth and H3: Increased digitalization has an indirect influence on economic growth. Meanwhile, H1, because the P-Value value is <0.005 or the T-statistic value is less than 1.96, states that digitalization has no effect on economic growth with a result of 0.036.

Mediation Analysis Results

H4 : It is suspected that digitalization has an effect on economic growth through increasing productivity.

The hypothesis is stated that there is an influence if the Tstatistics value is > 1.96 or the P-Value is below 0.005. The bootstrapping test results below explain the hypotheses H1, H2 and H3, as follows:

Table 6. Mediation Results

	T Statistics (O/STDEV)	P Values
Digitalization -> Increased productivity_ -> Economic Growth	8,615	0,000

To test the proposed mediating effect, we followed the steps of estimating the indirect relationship/effect and then tested for statistical significance and increased productivity as mediating factors. The results show that H4: Increased productivity can mediate the effect of digitalization on economic growth. This is supported by research results (the P-Value value is $0.000 < 0.05$ or with statistics of $8.615 > 1.96$).

Discussion

This research aims to analyze the influence of digitalization on economic growth mediated by increasing the productivity of MSMEs in the culinary sector in Purwakarta district. The results of this research show that there is a significant relationship between

the variables analyzed. Digitalization of MSMEs has an influence on economic growth (H1). This explains that the increase in MSME income increases with digital marketing through online transactions which make it easier for consumers to make payments, attractive designs and content on promotional media will expand their market reach. Digitalization in MSMEs can also have an effect on increasing productivity, this is in line with research results which also show that digitalization has an effect on increasing productivity (H3). Digitalization can help in reducing operational costs so that it can help MSMEs save on operational costs such as shipping and communication. Digitalization can also improve the quality of products and services through feedback provided by customers. For example, assessments or ratings given by consumers such as Gofood, Shoppefood and the like. This is in line with research conducted by (Agung Az'har & M. Nawawi, 2022), shows that in 2020, e-commerce sales increased by 26% or IDR 36 trillion compared to 2019. In addition, there were 51% of new consumers who shopped online for the first time when the PSBB was implemented. Furthermore, the number of e-commerce users in Indonesia currently reaches 129 million users, but only 13.7 million business actors have gone digital (21%) out of a total of 64 million MSME players.

Research (Putri Nasution & Ilmi Faried Lubis, 2018) with the title "The Role of SMEs in Economic Growth in Indonesia" shows that the SME unit variable has a significant influence on economic growth in Indonesia. This shows that MSMEs have an important role that is able to contribute to national economic growth. (Sutanty et al., 2022) in his research entitled "MSMEs as Pillars of Economic Development in Sumbawa Regency" emphasized that Micro, Small and Medium Enterprises (MSMEs) Play a Strategic Role. This illustrates that Micro, Small and Medium Enterprises (MSMEs) are very urgent for developing the economy of a region with their very real role in the economy, starting from their contribution to GDP, their ability to absorb labor, and the large number of business units operated. involved. The existence of MSMEs can be used as a source of income in an area. This is regulated in government regulation No. 46 of 2013. Taxes for MSMEs are subject to a final tax of 1%. There is another regulation that revises PP No. 46 of 2013 above, namely Government Regulation No. 23 of 2018 concerning MSMEs. PP No. 23 of 2018 explains that the

final tax for MSMEs has been reduced to 0.5%. Thus, overall, Micro, Small and Medium Enterprises (MSMEs) have a strategic role in reducing unemployment and poverty.

The results of the research on the effect of increasing productivity on economic growth show significant results, which means that increasing productivity has an effect on economic growth (H2). When productivity increases, it means that more products can be produced in the same time with the same resources. This is confirmed by research (Supriatna et al., 2023) entitled "The Influence of MSME Performance on the Economic Growth of Sukabumi Regency" that increasing the productivity of MSMEs can increase output and income, thereby increasing economic growth. This is because increasing productivity allows MSMEs to increase the scale of production and improve product quality, thereby increasing income and output.

By increasing the productivity of culinary MSMEs, it will improve the quality of culinary products in Purwakarta district, this can become an attraction for culinary tourism, especially in Purwakarta. thereby encouraging increased sales and income which will increase the welfare of business actors and employee work rates. Increasing the productivity of MSMEs also has the opportunity to open up new job opportunities.

Digitalization has a significant influence on economic growth, especially through increasing the productivity of MSMEs in the culinary sector (H4). By utilizing digitalization, MSMEs in the culinary sector can increase productivity, expand market reach, improve the quality of products and services, and increase customer satisfaction and loyalty. This is what drives economic growth through the income and profits of MSMEs which will later create new jobs and increase economic competitiveness.

4. CONCLUSION

This research aims to analyze the influence of digitalization on economic growth mediated by increasing the productivity of MSMEs in the culinary sector in Purwakarta Regency. The research results show that each variable in this research has a significant influence on increasing economic growth in Purwakarta by digitalizing MSMEs in the culinary sector through the mediation of increasing the productivity of the MSMEs

themselves. Digitalization of MSMEs influences economic growth by increasing MSME income through digital marketing and online transactions that make payments easier and expand market reach. Digitalization also has an effect on increasing the productivity of MSMEs by reducing operational costs and improving product and service quality through customer feedback.

Other research supports these findings, showing that MSMEs have an important role in national and regional economic growth by contributing to GRDP, employment, and the number of business units. Digitalization of culinary MSMEs in Purwakarta not only increases productivity and product quality, but also attracts culinary tourism, increases sales, income and welfare of business actors and opens up new job opportunities.

Overall, digitalization has had a significant impact on economic growth through increasing the productivity of culinary MSMEs. Digitalization helps MSMEs expand markets, improve product and service quality, as well as customer satisfaction and loyalty, which drives economic growth, creates new jobs, and increases economic competitiveness.

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