

# The Impact of Sustainable Entrepreneurship on The Growth Of MSMEs With Digital Technology in Palembang City

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## ABSTRACT

Entrepreneurship has a major contribution in a country, in the era of globalization and increasing competition, Micro, Small and Medium Enterprises (MSMEs) are one of the backbones of a country's economy to advance, therefore sustainable entrepreneurship (Sustablepreneur) as a business development effort that provides new opportunities for innovative small and medium business activities in relation to ecological and social issues. therefore this study is to determine the factors of how much influence Sustablepreneur has on the growth and sustainability of SMEs in creating business innovation and creativity. Sampling was done by purposive sampling. There are digital SMEs in Palembang that have fostered SMEs that are sampled in this study using the simple random sampling method. Based on the analysis of this study found that SME entrepreneurs generally have a positive or favorable attitude towards sustainability, care about social pressures on sustainability, consider that sustainable entrepreneurship is interesting, and have sufficient ability to entrepreneurship sustainability.

**Keywords:** Digital, Entrepreneurship, MSMEs, Sustainable Entrepreneurs

## 1. INTRODUCTION

In this study, in the globalization and increasingly fierce competition, Micro, Small, and Medium Enterprises (MSMEs) are one of the backbones of a country's economy. Even so, the challenges encountered by MSMEs, limited access to capital to fierce market competition, MSMEs must face various obstacles to survive and develop. (Sugiri, 2020)(Malikun & Aji, 2022). The MSME role is very significant for the growth of the Indonesian economy, with the number reaching 99% of all business units. In 2023, MSME business actors reached around 66 million. The contribution of MSMEs reached 61% of Indonesia's Gross Domestic Product (GDP), equivalent to IDR 9,580 trillion. MSMEs absorb around 117 million workers (97%) of the total workforce. Digitalization of MSMEs has several important values in business and economic growth. The appearance of various types of startups that offer services digitally has an impact on the growth of MSME digitization.

**Table 1** UMKM Digital and Manual

year	City	MSMEs Digital (%)	MSMEs Manual (%)	MSMEs (Total)
2020	Palembang	30	70	4.800
2021		35	65	5.250
2022		40	60	5.700
2023		45	55	6.200

Source : Dinas Koperasi dan UMK Kota Palembang, 2020 - 2023

Table 1 explain the number of MSMEs that have carried out processes with digital technology and are still manual, The success of businesses include MSEs in the digital economy is largely determined by the readiness of businesses to adopt digital technology. The latest digital technology infrastructure must be supported by adequate digital literacy and skills to optimize it. Otherwise, the digital infrastructure cannot realize its full potential for superior business and economic growth. Therefore, digital literacy and skills are key factors for MSEs to succeed in the Digital Economy.

Sustainable Entrepreneurship (SustablePreneur) is one kind of business strategy that focuses on increasing value for society, the environment, and the company.(Saoudi et al., 2017) Besides, sustainable entrepreneurship is also defined as a type of business development practice that provides new opportunities for innovative corporate activities

in relation to ecological and social issues.(Iqbal & Ahmad, 2020). Sustainable entrepreneurship emphasizes the care of nature, life support, and communities in pursuit of perceived opportunities to create new products, processes, and services for profit. These benefits can be both economic and non-economic.(Rosário et al., 2022)(Salehe et al., 2024). 60% of businesses continue to stick with conventional methods. In 2023, the culinary sector grew significantly with 6,200 MSMEs recorded in Palembang. The digitalization trend appears to be more widespread, with 45% of MSMEs already using digital technology to expand market reach and improve operational efficiency. Another 55% of MSMEs still use manual methods, generally due to technical constraints or a lack of understanding about digitalization. This success cannot be separated from the collaboration between the government, the MSME community, and private companies that actively provide mentoring and training programs.

Previous research shows that the factors that influence business sustainability are the perception factors of MSME actors and the factors of direct utilization of ICT facilities (Yanti, 2018). there is an effect between the implementation of competitive advantage strategies, company resources, implementation of generic strategies with company sustainability.(Sugiri, 2020)

### ***1.1. Grand Theory of Planned Behaviour***

Icek Ajzen's Theory of Planned Behavior (2005) explains that "The main determinants of intention and behavior can be explained by behavioral beliefs, normative beliefs, and control beliefs.

### ***1.2. The Theory of Entrepreneurial Intentionality***

In Entrepreneurial Value Creation Theory, entrepreneurial intentions are distinct and separate from other theoretical constructs, and describe the process by which intentions interact with resources. Intentions depend on the entrepreneur and his or her social collective. Furthermore, adaptability including passion, flexibility, and resilience modify intentions as the entrepreneur matches intentions with entrepreneurial resources in the feasibility modulator (Chandra S. Mishra and Ramona K. Zachary, n.d.)

Digital literacy is the capability to use information and communication technologies effectively. It includes skills in accessing, evaluating, and using information from a variety of digital sources (Anggraeni et al., 2023) Digital literacy consists of several components, including the technical, cognitive, social, and emotional skills needed to interact with digital technology.

### ***1.3. Micro, Small, and Medium Enterprises (MSMEs)***

MSMEs are an integral part of the economy in many countries, including Indonesia. The definition of MSMEs in Indonesia is regulated in Law No. 20/2008, which states that MSMEs are companies owned and managed by individuals or small groups of people, with certain criteria related to wealth and income (Zeta Chandra et al., 2023).

### ***1.4. Sustainable Entrepreneurship***

Sustainable entrepreneurship not only has benefits for society and the environment, but also has various benefits that can be felt by companies. The following is an explanation.(Tunjungsari et al., 2021)(Farny & Binder, 2021) :

- a. Improving brand quality
- b. Reduce operational costs
- c. Market target
- d. Simple to implement
- e. Potential to attract many investors
- f. Healthier work environment sustainable entrepreneurship.(Avelar et al., 2024)

Sustainable Entrepreneurship can be considered as a concept that links sustainable development with entrepreneurship (Ismadi et al., 2023). Sustainability entrepreneurship (Majid et al., 2017). It has changed the role of business entities and can be considered an entrepreneurial transition. In particular, it changes the role of entrepreneurs from making economic development to actively finding solutions to environmental degradation and social problems (Parrish, 2010). It also allows entrepreneurs to act as catalysts for sustainable economic development by providing social and environmental goods and services (Tilley & Young, 2009). Most importantly, it can be treated as a

resolution to environmental degradation caused by entrepreneurial activities (Iqbal & Ahmad, 2020), (Ismadi et al., 2023)

## 2. METHODOLOGY

This paper's quantitative research used the secondary data approach with data collection through a structured survey. The data obtained will be statistically analyzed to provide an in-depth understanding of the level of digitalization of MSMEs in the small business sector. The results of the analysis are intended to be the basis for providing strategic recommendations and results in improving the digital skills of MSME players and accelerating the digitalization process in this sector

### 2.1. Conceptual Framework

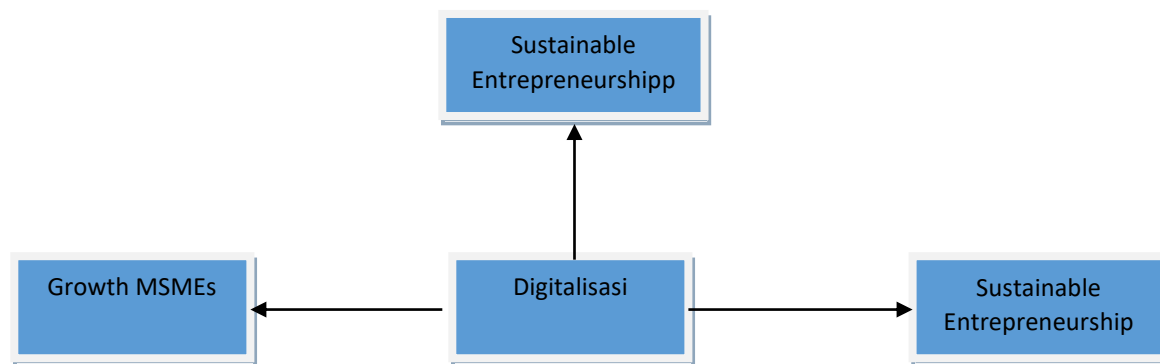


Figure 1. Conceptual Framework

### 2.2. Sustainable Entrepreneurship Model (SEM)

After the categorization process of all variables into similar themes, the concept of Sustainable Entrepreneurship emerged as a result of the thematic analysis. To further clarify and solidify this concept, a Model is proposed. This SEM Model provides a visual representation of the relationships and connections between the various themes identified during the categorization process. It serves as a tool to aid understanding and comprehension of Sustainable Entrepreneurship. The model provides a structured approach to organizing and synthesizing the information gathered during the analysis, and is an essential component in the ongoing exploration and investigation of Entrepreneurship. In addition, in this model, we have included psychology and culture as moderator factors, as both were identified as significant themes during the analysis (Abdullah & Ahmad, 2023). The Study Scope This research examines the impact model of business sustainability in increasing the growth of MSMEs with digitalization in Palembang City.

### 2.3. Population and Sampling

The implementation of digital technology among MSMEs in Palembang City shows significant variation. Some MSMEs have fully utilized digital technology, such as using e-commerce, social media, digital payment applications, and business management software. However, the majority of MSMEs are still in the early stages of digitalization, where the use of technology is limited to promotion through social media. The adoption of digital technology is driven by several factors, such as the high penetration of internet and smartphones in Palembang, digitalization programs initiated by the government and related agencies, as well as tangible benefits in increasing sales and operational efficiency felt by MSME players.

### 2.4. The Method of Data Collection

Data collection is an important activity for research activities, because data collection will determine the success or failure of a study. So that the selection of data collection techniques must be careful. The data collection technique used in this research is observation and measurement of data on MSMEs in Palembang City that have digitalization literacy in their business processing. The measurement of digital literacy uses a Likert scale to collect quantitative data related to the level of technology utilization among MSME players.

### 3. RESULT AND DISCUSSION

The research results open a broad discussion about the sustainability of MSME entrepreneurship in Palembang city with the increase in businesses utilizing digital technology to develop businesses and get support from partners in the future.

**Table 2** Result of Validity Test Recapitulation

Item	Rhitung	R tabel	Note
<b>A</b>			
A1.1	0,651	0,227	Valid
A1.2	0,749	0,227	Valid
A2.1	0,714	0,227	Valid
A2.2	0,759	0,227	Valid
A3.1	0,695	0,227	Valid
A3.2	0,694	0,227	Valid
<b>B</b>			
B1.1	0,574	0,227	Valid
B1.2	0,694	0,227	Valid
B2.1	0,672	0,227	Valid
B2.2	0,711	0,227	Valid
B3.1	0,743	0,227	Valid
B3.2	0,786	0,227	Valid
<b>C</b>			
C1.1	0,790	0,227	Valid
C1.2	0,657	0,227	Valid
C2.1	0,744	0,227	Valid
C2.2	0,640	0,227	Valid
C3.1	0,764	0,227	Valid
C3.2	0,666	0,227	Valid

The according to the validity test results shown in the table, all question items in categories A, B, and C are declared valid, because the rcount value of each item is greater than the rtable value of 0.227. This shows that each item in the questionnaire has a significant relationship with the total score, so it is feasible to use in research.

In category A, the rcount values ranged from 0.651 to 0.759, with all items meeting the validity criteria. Category B also showed valid results, with rcount values ranging from 0.574 to 0.786. Similarly, category C had the highest rcount value among the three categories, ranging from 0.640 to 0.790, which also met the validity criteria.

Thus, all items tested have met the validity requirements, so they can be relied upon to accurately measure the research variables. These results provide a strong basis for proceeding to the further stages of data analysis

**Table 3** Case Processing Summary

		N	%
Cases	Valid	75	100.0
	Excluded <sup>a</sup>	0	.0
	Total	75	100.0

a. Listwise deletion based on all variables in the procedure.

Table 3 explains that the case section is valid with 75 respondents and a percentage of 100%. This explains that the 75 respondents are declared valid and there are no respondents who are not included in the Excluded category.

**Table 4** Table Reliabilitas Statistics Variabel A

	N of Items
.804	6

The table below explains that the N of Items or question indicators are 6 items and the overall Cronbach's Alpha value obtained is 0.804. Thus, 6 questions passed the reliability test because the Cronbach's Alpha value obtained was > 0.60.

**Table 5** Table Reliabilitas Statistics Variabel B

Cronbach's Alpha	N of Items
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.787	6
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Table 5 explains that the N of Items or question indicators is 6 items and the overall Cronbach's Alpha value obtained is 0.767. Thus, 6 questions passed the reliability test because the Cronbach's Alpha value obtained was > 0.60.

**Tabel 6** Table Reliabilitas Statistics Variabel C

Cronbach's Alpha	N of Items
.800	6

In table 6, it explains that the N of Items or question indicators is 6 items and the overall Cronbach's Alpha value obtained is 0.800. Thus, 6 questions passed the reliability test because the Cronbach's Alpha value obtained was > 0.60. Based on the results of the reliability tests carried out, the following results were obtained

**Tabel 7** Reliabilitas Test

Intrumen	Cronbach's Alpha	Keterangan
A	0,804	Reliabel
B	0,787	Reliabel
C	0,800	Reliabel

### 3. CONCLUSION

This paper identifies the factors influencing the decision The research on sustainable entrepreneurship of MSMEs in Palembang City has led to some important conclusions. As many as 45% of culinary MSMEs in Palembang City have used digital technology for business activities, with this 30% increase in the previous year, this increase was influenced by three main factors, namely digital literacy, IT facilities, and government support. MSMEs with good digital literacy show faster adaptability to new technologies. It should also be noted by related parties that business sustainability needs to be significantly improved between MSMEs that have digitally transformed and those that still use traditional methods. This gap is mainly caused by a lack of understanding of technology, limited access to infrastructure, and lack of support from industrial partners and banks.

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