

E-COMMERCE IMPLEMENTATION OF SMEs
IN INDONESIA

A thesis submitted to the Faculty of Information Technology in partial fulfillment of the requirements for the degree Master of Science (Information and Communication Technology), Universiti Utara Malaysia.

by
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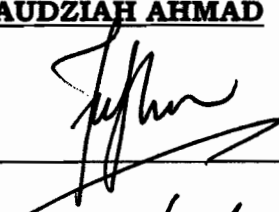
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DEDICATION

To:

My Beloved Parents,

Drs. M. As'ad (Allayarham) and Hajji Ruhbah Umar

My Beloved Brothers and Sisters,

Mustafa, Imtihana, Ismirati, and Iftita

And my love M. Hanafiah

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ABSTRACT

During the economic crisis, Indonesia learned that small and medium-scale businesses, known as “Usaha Kecil dan Menengah” have helped the economy to survive, and have improved the country’s economy, through the e-commerce. “Usaha Kecil dan Menengah” (UKM) is also known as Small and Medium enterprises (SMEs).

Since then the Indonesian government has recognized the importance of having modern SMEs as an important element in creating a sophisticated economy, especially through their role in developing inter-industry linkages, or as supporting industries producing components and parts for large enterprises either via market mechanisms or subcontracting systems or other forms of production linkages.

Currently there are about 48.9 million SMEs in Indonesia, in which, out of this amount less than one percent (1 %) have started conducting business electronically. However, the Indonesia government has not been able to find information on current business situation. This research intends to explore e-commerce implementation by SMEs in Indonesia. The research also investigates the current usage and problem in Indonesia’s e-commerce implementation.

The study has been successful in achieving all objectives. Implementation of e-commerce in SMEs has grown in the last 2 years. There are some problems in the execution of e-commerce of SMEs in Indonesia. These can be categorized as follows: internet connectivity, stock clarification; bank administration; and goods distribution to buyers. This study found that there are some catalysts that encourage implementation of e-commerce. Among these are increase in sales revenue, low expenses in development and maintenance of a website, and increase in numbers of customers.

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LIST OF ABBREVIATIONS

ICT	Information and Communication Technology
SMEs	Small Medium Enterprises
UKM	Usaha Kecil and Menengah
LEs	Large Enterprises
B2B	Business to Business
B2C	Business to Consumer
B2G	Business to Government
C2C	Consumer to Consumer
P2P	Peer to Peer
MoI	Ministry of Industry
BPS/CBS	Badan Pusat Statistik/Central Bureau Statistical
SE	Small Enterprises
ME	Medium Enterprises
MIEs	Micro Enterprises
WIPO	The World Intellectual Property Organization

CHAPTER 1

INTRODUCTION

1.1 Background of the study

Information and Communications Technologies (ICT) are radically changing the competitiveness of organizations. For example, the Internet has revolutionized the way business is done due to the advanced technological developments in the area of ICT. According to Payne (2001), the use of the Internet along with a range of other ICT components is transforming how business is done locally and globally. The internet which is linked with a network of computer, it is valuable, powerful and fast growing business tool because it is flexible, economical, and easy to use. The emergence and the popularity of the internet allow business firms to get more customers and increase public awareness of their firms, services, and products.

The reach of the underlying ICT making electronic commerce (e-commerce) possible is also causing unprecedented globalization of business. Business in developing countries will soon be affected as significantly as that elsewhere. Policymakers and advocates around the world are working to address this growing "digital divide" (Payne, 2001). The use of ICT that range from mainframe to personal computers, from word processing to sophisticated application and system have made considerable inroads into large, medium and even small organizations (Doukidis et al., 1996).

Small and Medium-sized Enterprises (SMEs) have grown in importance in the global economy during the last couple of decades. There are even a growing number of

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investigated in detail. Implementation of e-commerce needs support from the government to prepare infrastructures so that it can make the diffusion of e-commerce effectively. Using e-commerce can make activities of businesses more efficient and thus, generate more income to SMEs. This study confirmed that e-commerce is an effective tool to promote businesses, increase sales and capture more customers.

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