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Entrepreneurship Development in the Era of Disruptive Technology: (Case Study in Denpasar City and Bandung City)

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Abstract Indonesia has recently seen a disruptive technological period, one in which technology causes numerous changes in daily life. The existence of entrepreneurship in the regions is one of the many social effects of disruptive technologies. This essay explores how technology has helped businesses flourish, particularly in Denpasar and Bandung. Due to their potential to foster entrepreneurship by employing current technologies, both cities were selected. This study will describe the entrepreneurship development in the era of disruptive technology in the both cities. The findings of this study demonstrate that technology has a significant impact on the growth of new enterprises or new entrepreneurs in the regions. Through the application of technology, entrepreneurship has enormous potential for growing market share. The majority of them, however, still have extremely limited digital capabilities, making it impossible for them to fully exploit the trend of economic digitization. The government, both central and regional, needs to take action to deal with disruptive technological advancements in order to foster the growth of entrepreneurship by using technology.

1. Introduction

By offering utility, accessibility, comfort, and affordable costs, disruptive innovation successfully transforms an established system or market. Disruptive technology, first proposed by Clayton M. Christensen and Joseph Bower in 1995, was the precursor to disruptive innovation. Disruptive innovations typically target market niches that are less attractive or viewed as less significant by market authorities, but the innovations are ground-breaking and capable of redefining current systems or marketplaces. [1] If disruptive technologies are not appropriately anticipated by the business sector, it could result in failure. According to Rhenald Kasali, disruption is characterized by five key factors. First, disruption reduces costs by utilizing straightforward business procedures. Second, improve the standard of everything that is created. Third, disruption leads to the opening of previously closed markets or the inclusion of those who have been excluded. Fourth, the products and services that emerge from disruption must be readily available to users. such as financial technology (fintech), which can be accessible via cellphones, online motorbike taxis, and online taxis. Fifth, disruption improves everything's intelligence, efficiency, and accuracy. [2] Additionally, people and regions are significantly impacted by disruptive technologies. The impact on regional tax and retribution revenues, laws on electronic payment systems, and the impact on the existence of traditional SMEs in the regions are only a few of the concerns that require attention. However, Indonesia's extremely large SME population to be an entrepreneur undoubtedly has the potential to increase market share.



Financial Technology is a technology-based financial service phenomenon that has emerged as a result of disruptive technology phenomena in the financial services industry (fintech). The phenomena of technology-based financial services, specifically the development of disruptive fintech and technology that is confronted by the financial services sector in general, has permeated starting from the banking sector through the advent of digital banking and branchless banking. [3] The Disruptive Innovation Theory outlines the phenomena when an innovation introduces simplicity, convenience, accessibility, and affordability to alter an existing market or sector. Innovations that first upended the status quo for industries that already exist (industry incumbents), it first takes shape in a small market that doesn't seem to be very fascinating or significant (inconsequential), but eventually new products or ideas completely reshape the sector. [4] Several empirical studies demonstrate that entrepreneurship development and technology are moderately correlated. The dynamics of the development of the business sector in the territory of the North-Western Federal District. It determines priority areas to increase small and medium-sized enterprises' external business sustainability at the regional level based on the institutional infrastructure. [5] another research shows that the participation of entrepreneurship studies from the perspective of capabilities and technology-based startups in Latin America, which implies considering capabilities from a perspective of innovation, technology, knowledge, and learning. [6]

73% of Indonesian entrepreneurs, according to the Deloitte Report from 2015, have very little digital capability. This indicates that over two thirds of Indonesia's entrepreneurs' businesses have not fully utilized digital technologies. According to Deloitte, Indonesia's digitization will allow entrepreneurs to contribute to growth that is up to 80% higher than previously and increase their likelihood of being 17 times more inventive, which would ultimately help Indonesia's national economic growth increase by 2% annually. [7] According to reports, there are 49 million entrepreneurs in Indonesia, and it is expected that they would employ more than 107 million people. The authors of this study wanted to learn how efforts to develop entrepreneurship in terms of utilizing disruptive technology, specifically in the City of Denpasar and the City of Bandung, given the enormous potential that entrepreneurship have as well as the increasingly sophisticated technological advancements. The two cities were picked because they had a lot of entrepreneurship and the ability to produce innovative technology.

2. Method

This qualitative study uses descriptive narrative analysis to address the issues raised in the previous section. The qualitative approach being used in this study is to find out what are efforts to develop entrepreneurship in terms of utilizing disruptive technology, specifically in the City of Denpasar and the City of Bandung, which data was obtained from various sources of information. Qualitative methodology, as a research procedure, produces descriptive data in the form of oral or written from the observed people and behavior.[8] Therefore, this study uses a descriptive approach that offers a watchful depiction of a particular individual or group about the occurring circumstances and symptoms.[9] The secondary data collection method of this study is that content documentation was taken from books, magazines, newspapers, articles, journals, or other data sources. The data analysis technique of this study is content analysis. This study uses content analysis techniques to obtain a complete description of various sources. In the end, data analysis results can be mapped to obtain research output in the form of a design model for developing entrepreneurship by utilize digital technology.



3. Results and Discussion

3.1 The Local Government's Role in the Development of Entrepreneurship in Denpasar City

As an urban region, Denpasar is home to a huge number of industrial businesses, ranging from small home businesses to large corporations employing a sizable workforce. The contribution of the industrial business sector's GRDP to Denpasar City's GRDP has been rising during the past three years (2016-2018). The industrial GRDP totaled 2,808.47 billion rupiahs in 2018. Not only in nominal terms, but also continuing to rise, the industry's real added value reaches 2,079.53 billion rupiah in 2016. This demonstrates how the industrial sector in Denpasar has increased its favorable economic support. [10]. In developing the regional economy, especially SMEs and entrepreneurship, SMEs in Denpasar City continue to experience development with an increasing number of SMEs in Denpasar City from 2011 to 2016 as shown in the table below:

No	Classification	2011	2012	2013	2014	2015	2016
1	Trading	7.801	7.805	7.811	8.113	8.050	10.554
2	Agricultural Industry	971	984	991	991	993	16.805
3	Non Agricultural Industry	670	682	690	690	726	1.171
4	Other Services	2.073	2.074	2.083	2.083	2.136	2.231
	Total	11.515	11.545	11.575	11.877	11.905	30.761

Table 1. Number of SMEs based on Classification in Denpasar City in 2011-2016

Source: Statistic, 2017

The issue that local governments are dealing with in relation to the phenomena of new entrepreneurs employing technology in a variety of online social and economic activities is that there are still many entrepreneurs who are unable to make use of current technology. This is a result of the dearth of human resources and accessibility to technology. One of the advances in conducting business in the transportation services sector and products is the use of technology in planning and policies for the development of entrepreneurship, which include the following: [11]

- establishing a place for business owners and entrepreneurs to communicate with one another.
- providing e-commerce and home shopping services to market entrepreneurs items (in cooperation with Bank BNI).
- added the IT category as a new category to the Denpasar Young Entrepreneur competition.

E-commerce initiatives, which the government of Denpasar City facilitates, are policies and programs for the development of businesses and entrepreneurs in dealing with business rivalry, particularly goods and service products given by leveraging technology and advertised online. In addition, it offers a consulting firm in the Denpasar Design Center for packaging and product design. In order for business actors, particularly entrepreneurs, to take advantage of technology by carrying out marketing innovations in order to obtain a wider market reach, the Denpasar City administration anticipates coping with disruptive technology through teaching entrepreneurs on new technologies. so that business owners and entrepreneurs are prepared to replace outdated technology with modern technology.

In an effort to foster the growth of entrepreneurship in the face of free competition, Denpasar City Government has established policies and strategies in the use of information technology. Improved Domestic Trade Efficiency Program. By assisting small businesses and entrepreneurs through cooperation initiatives and the Denpasar Festival Event, this activity is carried out. The activities consist of: [12]

- Development of networks and trade information systems

- Institutional growth and cooperative partnership





- Improving the skills of small and medium-sized businesses

- Keeping an eye on distributors' and people's markets' prices for essential commodities and significant items

- Information sharing on how to expand the market for the creative industries.
- Greater Market Potential for Innovation in Creative Industries
- Improved regional product development

- Developing business managers for People's Market vendors and keeping an eye on their operations

Access to finance is the issue hindering the growth of entrepreneurship in the regions and the difficulties entrepreneurs in the regions confront in the disruptive technology era. [10] It is challenging for formal financial service organizations to gauge the visibility of entrepreneurs in the areas because the majority of them are still not bankable. The age of technology has facilitated entrepreneurs access to funding. Although banks charge lower interest rates than technology-based financial enterprises, the cost of borrowing money from them is higher. The initiatives taken in this area include encouraging banks to serve as a source of funding for entrepreneurs' clients. In addition, it is essential to keep up entrepreneurs actors' training, which should be provided by Bank Indonesia, OJK, and relevant offices in the localities. [13]

E-growth commerce's in Denpasar City has both beneficial and bad effects, in theory. Business players that are unable to use technology to advance their businesses would be most affected negatively. The Denpasar City Government urges all entrepreneurs to use IT in order to prepare for this. As a result, no entrepreneurs are left out of the corporate world. Even traditional enterprises, like traders in traditional markets, still have their own markets.

3.2 The Local Government's Role in the Development of Entrepreneurship in the City of Bandung The highest economic potential is seen in commerce activity in the city of Bandung (the largest share of GRDP). The numerous trade opportunities and activities that take place in the city of Bandung, including trading on traditional marketplaces, contemporary markets, and online, encourage this. For the City of Bandung in 2016, the GRDP at current exchange rates was IDR 217.04 trillion. [14]

By fostering entrepreneurship through targeted programs, the City of Bandung can boost its economic potential. The Bandung City Government established the WUB (new business entrepreneurship) program as one of its innovative and strategic initiatives in line with the Bandung City RPJMD for the period of 2013 to 2018. Together with related technical regional apparatus, Bappeda develops programs and activities in accordance with the aims and targets set based on the findings of the study or background investigation of the subject when developing plans for economic growth through entrepreneurship. The number of goals that must be accomplished, the task owners who will carry out those goals, and the programs and activities that will be carried out within a specific time frame (5 years and annually) are all specified in the city-level planning document.

The Bandung City Government's low funding for fostering the city's economic potential has not deterred it from fostering entrepreneurship. The Bandung City Government is exploring for ways to gain additional financing sources that are not part of the APBD, such as through: [15]

a) recommending special allocation fund (DAK) activities coming from APBN;

b) suggesting initiatives for Provincial Financial Assistance derived from the Provincial APBD;

c) putting up suggestions for CSR-related initiatives between the city government and the corporate sector/BUMD/BUMD.

The projected City and Provincial Kindergarten Musrenbang activities are a part of the Bandung City Government's aim to promote entrepreneurship. The Provincial Kindergarten Musrenbang will thereafter be suggested as the location for any related activities that the City Kindergarten Musrenbang is unable to host.

Not all WUB actors have sufficient IT skills/skills to utilize quite a lot of online media; the information displayed in marketing its business products is less dynamic and even tends to be monotonous, so it is sometimes less attractive to interested or prospective buyers; these are some of the



problems faced by the City Government in relation to the phenomenon of new entrepreneurs using technology in various online social and economic activities; Not all commercial products advertised online have received full registration, such as from the Health Office (PIRT), HAKI, and other agencies.

New Entrepreneurship Program (WUB), registration assistance from the Health Office (PIRT and HAKI), Gampil licensing applications, capital assistance through credit (Mesra loans and Mesra loans), and Little activities are just a few of the ground-breaking policies and programs the government already has in place to promote entrepreneurship. Bandung. The following are some ways in which the government is attempting to improve business actors' and institutions' capacity and capability so they can use information technology to expand their market reach: [16]

a) collaboration with Kadin/universities or private institutions to train and assist business actors to have e-commerce knowledge and skills to support their business marketing,

b) Little Bandung activities, which include Little Wall, Little Mobile, and Little Store, were created by the Bandung City Government under the Department of Trade and Industry. This activity is part of the government's ground-breaking initiative to boost the involvement of entrepreneurs business operators in order to improve the competitiveness of their goods and sales by marketing in a cutting-edge manner, namely online trading. The Little Bandung webpage was created by the City Government, and MSME players that worked together can now advertise their commercial goods there.

To ensure the program's success, regional apparatuses must work together in preparing entrepreneurial programs. The Regional Government has established targets in the 5-year urban planning document (RPJMD) as a guideline for each PD in implementing these programs/activities every year according to the annual target in the RKPD. These targets are in accordance with the authorities and functions as well as the targets of each related PD that support the New Entrepreneur programs.

It is thought crucial to innovate using technology in order to revive entrepreneurship. In order to maximize the use of technology and support increasing entrepreneurship, the following tactics and efforts must be made: [17]

- a. Improve the entrepreneurs' readiness for and comprehension of ICT (information and communication technology)
- b. encouraging and assisting entrepreneurial players to use ICT as a tool and means of expanding their businesses
- c. Make policies that "favor" the use of ICT by entrepreneurial actors.
- d. To maximize the use of ICT, large, medium, and small business networks (entrepreneurs) should cooperate, synergize, and synchronize

4. Conclusion

Entrepreneurship that are quick to adapt to changes, advancements, and customer behavior will gain from the rise of entrepreneurship through disruptive technologies. As a result, they will need to have the guts to change in order to stay current. On the other hand, if this transformation is not effectively addressed, both by the regional administration and the corporate actors themselves, it could become a significant issue. Additionally, people and regions are significantly impacted by disruptive technologies. The impact on regional tax and retribution revenues, electronic payment system laws, the existence of traditional entrepreneurs in the regions, in addition to the impact on labor absorption in the regions, are a few of the concerns that require consideration. The expansion of entrepreneurs enterprises' use of technology in Denpasar City has both positive and negative effects, in theory. Business players that are unable to use technology to advance their businesses would be most affected negatively. The Denpasar City Government urges all entrepreneurs to adopt IT in order to prepare for this. As a result, no entrepreneurs actors are left out of the business world. Even traditional enterprises, like traders in traditional markets, still have their own markets. While in Bandung City, synergy between local government's is another factor that is crucial in the usage of technology, especially in terms of the region's economic development. This alteration in behavior might also spur the government to create an





immediate strategy that can take into account the existence of disruptive technology. Additionally, any legislation created must be able to keep up with the rapid advancement of technology. Many regulations had to be relaxed by the government. With respect to licensing simplification, in particular. Additionally, new legislation must be able to keep up with the rapid advancement of technology. It is appropriate that the standards in the Entrepreneurship Bill include the standards for creating rules that take into account the development of disruptive technologies.

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