

## DEVELOPMENT OF E-COMMERCE TRANSACTIONS AND ITS INFLUENCE ON LABOR ABSORPTION

Rahmat Pujiyanto<sup>1</sup>, Cicih Ratnasih<sup>2</sup>

Universitas Borobudur, Indonesia

Email: rahmat.unindra@gmail.com<sup>1</sup>, cicih\_ratnasih@borobudur.ac.id<sup>2</sup>

### ABSTRACT

Global online retail is experiencing rapid growth, as reflected in the value of e-commerce, which is estimated to have grown by over 230 percent to \$4.48 trillion, or Rp60.467 trillion, in 2021, from just \$1.8 trillion in 2014. Online shopping has now become a popular pastime worldwide, particularly among young people. In addition to exciting new experiences, the prices of purchased items are also cheaper compared to traditional shopping. This sort of research is qualitative, utilizing secondary data obtained through literature reviews and statistical data. The research findings indicate that the value of e-commerce grew by over 230 percent to \$4.48 trillion, or Rp60.467 trillion, in 2021, from just \$1.8 trillion in 2014. In 2020 alone, the total turnover of the Asian continent reached \$1.7 trillion USD. Moreover, this growth is projected to continue increasing in 2025, with an expected 51% increase to \$2.5 trillion. China had sales of \$1.3 trillion and is projected to grow to nearly \$2 trillion by 2025. These figures exceed sales in Europe and North America. In 2020, the turnover of the European continent was \$460 billion and North America was \$588 billion. These values are significantly lower compared to China's sales. E-commerce in Indonesia also experienced strong growth since the beginning of 2020 due to the pandemic. The trading business grew by around 33% in 2020, and its main value increased rapidly from Rp 253 billion to Rp 337 billion. The role of business law in e-commerce transactions applies similarly to other purchasing and trading activities. With regulations in place regarding this matter, legal certainty is provided for the conduct of electronic transactions in Indonesia and internationally.

**Keywords:** E-Commerce; Economy; Digital Era.

### Introduction

Digitalization has been identified as the most significant technological trend that is changing technological, societal, and business trends (Leviäkangas, 2016) (Parviainen, Tihinen, Kääriäinen, & Teppola, 2017). Today, companies are under constant pressure to digital technologies usage and to adapt their business models to this new reality (Kohli & Melville, 2019). However, even though going digital brings many benefits, on the other hand, it also requires a lot of investment and costs (Ahmad & Murray, 2019). Considering the real advances in digital technology (Bejtkovský, Rózsa, & Mulyaningsih, 2018), the question is how digitalization is used by practitioners and to what extent these advances are followed by scholars and academics. So, our main aim is to describe the current state of affairs and to provide a better understanding of the term digitalization. Interestingly, there are several

articles in the literature about digital transformation, but few about digitalization. One of the first literature reviews on digital transformation was primarily conducted by (Henriette, Feki, & Boughzala, 2015), and following similar studies, such as Gebayew et al (Gebayew, Hardini, Panjaitan, & Kurniawan, 2018), Reis et al (Rocha, Adeli, Reis, & Costanzo, 2018), Vukšić dkk (Vukšić, Ivančić, & Vugec, 2018) and Vial (Vial, 2021).

Internet giants like Google, Amazon, and Facebook have different business methods and behaviors, triggering heated debates about how they may harm competition, as well as whether they should be subject to legal action and how closely their behavior should be monitored. The competition also has a positive impact on improving services and infrastructure that can be utilized for the growth of transaction sales by MSMEs in Indonesia. This is evidenced by the increasing growth of MSMEs every year. A real example can be seen in the growth of transactions using the Quick Response Indonesian Standard (QRIS) in the Central Java region. The majority of merchant users come from MSME owners, with the highest concentration of merchants in Semarang City (18.87%), Surakarta City (12.07%), and Banyumas Regency (6.79%). MSMEs consist of merchants categorized as Micro Enterprises (UMI), Small Enterprises (UKI), and Medium Enterprises (UME). Bank Indonesia (BI) reports that QRIS transactions in Central Java are mostly dominated by urban communities. Cities with the highest transaction volumes are Semarang City (30.29%), Surakarta City (11.56%), and Banyumas Regency (6.81%) (Bisnis.com, 2024). The latest data for 2023 shows that the Central Java Provincial Government (Pemprov) has succeeded in fostering 183,181 MSME units which have recorded IDR 38.9 trillion in transaction value, turnover of IDR 68.7 trillion, and absorbed 1,337,156 workers. Namely by facilitating them through leveling training (Abrar, 2023) (Supriyatna, 2023).

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the economy of a country. The increase in MSME transactions can directly impact job creation. In this discussion, the detailed relationship between the increase in MSME transactions and job creation, as well as the positive impacts resulting from this relationship, will be explained. MSMEs play a key role in economic growth as they significantly contribute to the gross domestic product (GDP) of a country. The increase in MSME transactions can occur through various factors, including increased market demand, technological advancements, access to global markets, and government support policies for MSMEs.

Job creation refers to the ability of an economic sector to absorb or create employment opportunities for the workforce. MSMEs are known as one of the economic sectors that absorb the most labor. In many countries, MSMEs are the backbone of the economy due to their contribution to job creation for the community. The increase in MSME transactions is directly related to job creation through several mechanisms, including:

#### **Creation of New Job Opportunities.**

When MSME transactions increase, MSME businesses tend to hire more workers to meet the growing demand. This may involve hiring permanent employees, part-time workers, or even contract workers as needed.

#### **Increase in Productivity.**

With the increase in transactions, MSMEs tend to improve their productivity. This can encourage MSME entrepreneurs to develop their operations, whether through investment in

technology, employee training, or production process efficiency. The impact is an increased demand for workers capable of running more sophisticated and efficient operations.

### **Business Ecosystem Booster.**

The increase in MSME transactions can also create a domino effect in other sectors, such as supplier industries and supporting services for MSMEs. This also contributes to an overall increase in job creation.

The positive impact of the relationship between the increase in MSME transactions and job creation is not limited to the micro level, but can also be felt at the macro level, such as the reduction of Unemployment: 1). The increase in MSME transactions can help reduce the unemployment rate by creating more job opportunities for job seekers. 2). Increased Income: Employment by MSMEs has the potential to increase people's income, which in turn can drive overall economic growth. 3). Empowerment of Local Economy: MSMEs tend to use local resources and local labor, which can strengthen the local economy and empower the community. Thus, it can be concluded that the increase in MSME transactions has a close relationship with job creation. The positive impact of this relationship is not only limited to the micro level but also makes a real contribution to overall economic growth. Through support and policies that promote MSME growth, it is expected that job creation will continue to increase, creating broader positive impacts on the economy of a country.

Given the high rate of change and innovation in the digital market affecting the growth of MSMEs, competition authorities should not only focus on market share when assessing market power. But also remember to consider other key elements, namely:

1. Network Effects (direct effects and indirect effects).
  - a. As the number of users increases, network effects are reflected in the growth of the platform or network.
  - b. When the value of a product or service increases (positive network effect) or decreases (negative network effect) for a particular user group compared to the number of consumers from another group, this is known as an indirect network effect.
  - c. Direct network effects occur when product users gain direct benefits from an increase in the number of people using the same product (positive network effects) or when the number of people using the same product decreases (negative network effects). In other words, influence is limited to group members. Telecommunication networks and social media are two examples.
2. Rate of return on scale.
3. Single-homing, multi-homing, and degree of differentiation.
4. Ability to access information (customers, users, and third parties).
5. Potential for innovation in the digital market. When implementing E-Commerce, parties involved in digital operations carried out by anyone via the Internet face many challenges, such as :
  - a. Trust
  - b. Security

Because Indonesia is more comfortable with face-to-face transactions or in-person purchases, trust is the most significant barrier to e-commerce.

There are so many crime stories on the internet that there aren't enough to go around. People don't like online transactions, even though transactions using online

media are no more risky than transactions carried out face to face. The costs are very high.

- c. In online transactions, additional shipping costs are required so that the price of goods purchased online will be much more expensive than purchased face to face.

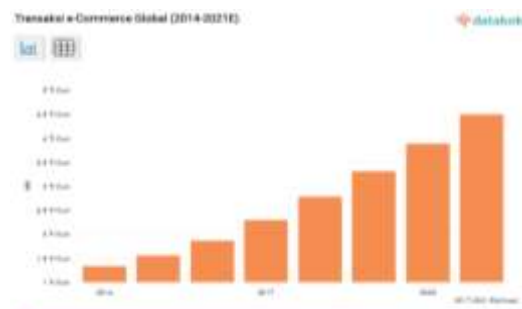
## Research Method

This research is included in qualitative research, which does not require a population or research sample (Abdussamad & SIK, 2021). However, informants are needed to explain the phenomenon between the current development of e-commerce globally and in Indonesia. Secondary data is required to explain the development trends of e-commerce, as well as its impact on occupation absorption, particularly in the Central Java region. The method used in writing this applied work is an analytical descriptive method, which utilizes data that clearly describes the issues directly in the field. Subsequently, analysis is conducted, and conclusions are drawn to achieve a solution to a problem (Yusuf, 2017). Data collection methods through observation and literature study to obtain problem solving in the preparation of this paper.

## Result And Discussion

### Overview of Current E-Commerce Developments.

Based on the latest data, it shows that there is significant sales growth from e-commerce starting from 2014-2020.



**Figure 1**

Global E-Commerce Sales Trend Data.

Source: <https://databoks.katadata.co.id>, 2022

Global online retail is growing rapidly. It is reflected in the value of e-commerce, which is estimated to have grown by over 230 percent to \$4.48 trillion, or Rp60.467 trillion, in 2021, from just \$1.8 trillion in 2014. Online shopping has now become a popular hobby worldwide, especially among young people. In addition to exciting new experiences, the prices of goods purchased are also cheaper compared to traditional shopping. Furthermore, online shopping knows no bounds and can be done anywhere. Personal computers or laptops still dominate when it comes to buying goods online. However, with the increasing penetration of smartphones worldwide, smartphones will dominate global e-commerce. Indonesia's e-commerce market share was \$1.6 billion in 2015 or only 1.2 percent of the total global retail sales of \$145.83 billion.

Referring to data from the previous year, from the Digital Market Outlook Statista, there is significant upheaval in e-commerce worldwide. Almost every continent has a significant e-

commerce presence. This is due to the ease of doing business and the increasingly diverse availability of online shopping. The continent with the fastest sales is in Asia. In 2020 alone, the total revenue of the Asian continent reached \$ 1.7 trillion. Moreover, this growth is projected to continue to increase in 2025, with a projected increase of 51% to \$2.5 trillion.

The main market in Asia is China. Indeed, China is a country with higher average e-commerce values compared to other countries. China has sales of \$1.3 trillion and is projected to grow to nearly \$2 trillion by 2025. These figures exceed sales in Europe and North America. In 2020, the revenue of the European continent was \$460 billion, and North America was \$588 billion. That is far less than China's sales, which are only about the size of a country (SIRCLO, 2021).

The current existence of electronic commerce represents a promising business opportunity to implement because e-commerce offers many opportunities for both parties, both from the seller's (trader) and the buyer's side. With online shopping, not every transaction requires a meeting at the negotiation stage. Therefore, this internet network can penetrate geographical boundaries. E-commerce sites can also operate anytime, 24 hours a day - 7 days a week. It is convenient from the merchant's point of view because shop owners do not need to monitor or wait too often, and other things can also be done while receiving order notifications. From the customer's point of view, shopping is flexible regardless of time and location, accessing and viewing products can be very easy because you can visit the website and view products without time constraints (SIRCLO, 2021).

Currently in Indonesia, the development of e-commerce also continues to grow. The market is currently expected to increase due to the Covid-19 pandemic. Data collected by the Kompas team shows that there are five main markets in Indonesia. Shopee (93.4 million), Tokopedia (86.1 million), Bukalapak (35.2 million), Lazada (22 million), and Blibli (18.3 million) shopped online in the second quarter of 2020 (Saputra, 2022).

E-commerce in Indonesia has also grown strongly since the beginning of 2020 due to the pandemic. This trading business grew by around 33% in 2020, and its main value increased rapidly from Rp 253 billion to Rp 337 trillion. According to a special report published by Google, Temasek, and Bain Company in October 2020, the time spent on e-commerce platforms only increased from 3.7 hours to 4.7 hours per day but decreased to 4.2 hours per day. After the shutdown ended, Bank Indonesia boldly predicted, in a Google-style statement, that e-commerce would continue to grow every year until the pandemic ends. The growth of digital transactions through e-commerce is inseparable from the government's role as a promoter of the digital world and an accelerator of digital banking development (Saputra, 2022).

### **The Effect of Increasing MSME Business Transactions in E-Commerce and Labor Absorption**

E-commerce activity is an implementation of e-business or electronic business, which relates to commercial transaction activities. In e-commerce transaction activities, attention must still be paid to business law aspects. In the era of Industry 4.0, data is an important asset, and its acquisition is becoming easier. When a buyer creates an account on an e-commerce website, the buyer will be asked to enter personal data, which will then be entered into the system managed by the e-commerce business or seller. Here, personal data must be protected from acquisition, use, processing, dissemination, to destruction. These rules can be

accommodated in privacy policies. When buyers transact through websites or electronic media managed by e-commerce providers, buyers have agreed with the e-commerce provider or seller under the privacy policy.

The existence of e-commerce platforms that continue to spread sporadically in Indonesia has projected the significant role and presence of e-commerce platforms in the community as social networking tools and containers for content distribution. This content can be daily personal activities or social activities for interactive access conducted online. The dynamism and consistency possessed by e-commerce platforms always adapt over time with increasingly attractive and user-friendly interfaces, making them accessible to users of all ages. Both of these aspects further open up opportunities or value propositions for the use of e-commerce platforms, which now not only serve to connect relationships but also act as conduits for business transactions (Ramli, Ramli, Permata, Ramadayanti, & Fauzi, 2020).

The increase in business transactions of Micro, Small, and Medium Enterprises (MSMEs) in e-commerce can significantly contribute to job creation in the Central Java region. Here are several ways in which the increase in MSME business transactions in e-commerce can help absorb labor in the region:

1. Increased Production and Distribution.

With the rise in e-commerce transactions, MSMEs tend to expand their production to meet larger market demand. It will trigger an increase in demand for labor at various stages of production, from manufacturing goods to distribution processes.

2. Increased Demand for Delivery Personnel.

Along with the increase in e-commerce transactions, there will be an increased demand for delivery services. It will create new opportunities for local labor to work as couriers or delivery personnel, which in turn can absorb more labor in the Central Java region.

3. Increased Demand for Administrative and Online Marketing Personnel.

MSMEs that increase their e-commerce transactions will also require more administrative staff to manage orders, inventory, and customer service. Additionally, they will also need online marketing personnel to expand their market reach, opening up opportunities for new jobs in digital marketing.

4. Support for Medium-Scale MSMEs.

The increase in e-commerce transactions can also help medium-scale MSMEs to grow larger. It can create additional job opportunities, such as managerial positions, supervision, and other related jobs.

The increase in MSME business transactions in e-commerce not only helps absorb labor but also has other positive impacts on the Central Java region, including:

1. Increased Income.

The increase in job opportunities will result in increased income for the community, which in turn will enhance local purchasing power.

2. Infrastructure Development Enhancement

With the growth of e-commerce business, there will be a push for infrastructure development, such as logistics and transportation facilities, which can create more job opportunities.

### 3. Increased Innovation and Creativity

The increase in e-commerce transactions can encourage MSMEs to be more innovative in product and marketing strategies, ultimately creating a more dynamic and diverse business environment.

Thus, the increase in MSME business transactions in e-commerce has great potential to help absorb labor in the Central Java region while promoting economic growth and local business development.

The influence of MSME business transactions in e-commerce has been proven to increase job absorption in Indonesia, particularly in the Central Java region. Here are some tangible proofs of this influence:

#### 1. Increased Number of Business Actors.

Based on data from the Ministry of Cooperatives and SMEs, there has been an increase in the number of MSMEs involved in e-commerce transactions, which in turn requires more labor to meet this demand.

#### 2. Market Access Expansion.

MSME business transactions in e-commerce allow MSMEs to expand their market reach, requiring them to recruit more labor to produce and distribute goods to various areas, including the Central Java region.

#### 3. Creation of New Job Opportunities.

With the increase in MSME business transactions in e-commerce, many MSMEs decide to expand their operations, ultimately creating new job opportunities for the local community in the Central Java region.

Thus, it can be concluded that MSME business transactions in e-commerce have had a positive impact on job creation in Indonesia, especially in the Central Java region. Additionally, several other factors influencing the increase in MSME business transactions in Central Java should be noted:

#### **Market Potential.**

The large market potential in Central Java is one of the main factors influencing the increase in MSME business transactions in the region.

#### **Government Support.**

Support from the local government in the form of policies and supporting programs for MSMEs is also an important factor influencing the growth of MSME business transactions in Central Java.

#### **Access to Technology.**

Technological advancements and easier access to technology allow MSMEs to conduct transactions more efficiently, contributing to the increase in MSME business transactions in Central Java.

#### **Interregional Cooperation.**

Interregional cooperation in the form of business partnerships and distribution networks can also influence the growth of MSME business transactions in Central Java.

### **Conclusion**

Based on the research findings, it can be concluded that global e-commerce has experienced significant growth, with the value of online retail increasing by over 230 percent from 2014 to 2021, reaching \$4.48 trillion. This growth trend is attributed to factors such as convenience, cheaper prices compared to traditional shopping, and increased popularity among young consumers. The projection of sustainable growth indicates a 51 percent increase to \$2.5 trillion by 2025. China has emerged as a dominant player in the e-commerce market, surpassing sales in Europe and North America. In Indonesia, e-commerce has also seen strong growth, particularly accelerated by the COVID-19 pandemic. Trading business grew by around 33 percent in 2020, with a significant increase in its main value. The role of business law in regulating e-commerce transactions provides legal certainty for electronic transactions both domestically and internationally. The implications of these findings underscore the need for policy adaptation and business strategies to navigate the evolving e-commerce market, leveraging technology and consumer trends to enhance competitiveness and business sustainability.

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