

THE IMPACT OF ONLINE COMMERCE ON ECONOMIC GROWTH

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ABSTRACT

This study aims to assess the impact of online trade through e-commerce and social commerce (s-commerce) on community empowerment and economic growth in Indonesia. This study uses a qualitative approach with a descriptive method. Primary data was obtained through in-depth interviews with small and medium enterprises (SMEs) and users of e-commerce and s-commerce platforms. Meanwhile, secondary data was collected from various relevant reports, publications and studies on the digital economy in Indonesia. Data analysis was conducted using a thematic approach to identify patterns, challenges, and opportunities in online trading activities. The results show that e-commerce and s-commerce contribute significantly to community empowerment through increased access to global markets, creation of new business opportunities, and increased income for SMEs. In addition, online commerce promotes economic inclusion by giving previously marginalized groups the opportunity to participate in the digital economy. However, challenges include limited internet access in remote areas, low digital literacy, data security risks, and digital inequality between regions. The implications of this research underscore the importance of policy interventions, such as equitable digital infrastructure development, digital skills training programs, and personal data protection, to ensure the sustainability and equitable distribution of digital economy benefits. This research contributes to understanding the dynamics of online commerce in Indonesia and offers recommendations for inclusive digital economy development.

Keywords: E-Commerce, Social Commerce, Community Empowerment, Digital Economy, Indonesia.

A. INTRODUCTION

The introduction includes the background to the problem as well as the urgency and importance. Humans have gone through a major civilizational transformation, starting from the agricultural age, then to the industrial age, and finally to the information age. (Firdaus: 2007). This transformation is strongly influenced by the presence of computers and the development of communication networks, especially the internet, which connects various units without geographical boundaries. Kelly calls this change the new economy, which is a new economic system that emerged thanks to advances in information and communication technology (ICT). In this economic system, ideas, information and interaction are the three main components that distinguish it from the conventional economic system. In the development of economic theory, both neo-classical theory and endogenous growth theory, technology and knowledge began to be recognized as crucial elements that drive economic growth. (Kelly: 1998).

Since the early 20th century, internet commerce or E-commerce has become one of the main foundations of global economic growth. Trade that previously relied solely on physical contact is now moving into a digital platform due to the ease of internet access and information and communication systems. Globally, E-commerce sales reached USD 4.28 trillion in 2020 according to Statista and are predicted to increase to around USD 6.38 trillion by 2024. (Statista,

n.d). This is certainly an advantage for businesses, but not only in terms of accelerating economic growth but providing positive benefits not only to entrepreneurs.

In Indonesia itself, E-commerce is clearly running very smoothly. According to a report by Google and Temasek, the value of e-commerce transactions in Indonesia is predicted to reach USD 44 billion for fiscal year 2018, this figure is projected to continue to increase until it reaches USD 124 billion. (Google & Temasek). This development is also driven by the increasing use of the internet and smartphones, as well as the adoption of active consumers to shop online. This proves that e-commerce has become an element that plays a major role in the daily lives of Indonesians.

Online commerce also provides wider access for entrepreneurs, especially Micro, Small, and Medium Enterprises (MSMEs). MSMEs can reach a larger market without the overhead costs of opening a physical store, The Indonesian Internet Service Providers Association (APJII) report states that up to 60% of MSMEs enjoy online sales that have increased many times over despite the pandemic This shows that E-commerce acts as a very effective economic empowerment tool, especially in facing the challenges of global diversity. (APJII: 2016).

On the other hand, despite the many advantages it offers, online commerce is also not free from challenges. Businesses and consumers must be prepared for these challenges, including data security issues, online fraud (unauthorized transactions) or inadequate logistics. (Statista: 2021).

In late 2016, the Indonesian government launched the XIV economic policy package which included a strategic plan for e-commerce development. (Coordinating Ministry for Economic Affairs, 2016). The emergence of this policy highlights the significant influence of e-commerce on economic development. According to an ASEAN report (2015), the implementation of e-commerce can lower barriers to market entry and reduce production costs. The use of computer technology and the internet in the business world also makes it easier for people to identify opportunities, innovations, thanks to faster and more affordable access to information. The combination of these factors encourages faster growth of entrepreneurship, making it one of the main sources of economic growth in the modern era. Various previous studies have also shown that E-commerce contributes positively to economic growth (Liu, 2013; Elseoud, 2014; Lili Qu and Yan Chen, 2014).

The contribution of e-commerce to economic growth is highly dependent on infrastructure support, existing policies, and a market that is able to adapt to the new transaction system. Although transactions are conducted online, the delivery of goods from producers to consumers still requires adequate transportation infrastructure. According to Kearney (2015), the quality of transportation infrastructure in Indonesia-both for roads, railways, sea, and air-is still lagging behind other ASEAN countries.

The existence of new regulations and suboptimal law enforcement have caused various problems. A report from Symantec shows that in 2014, Indonesia ranked seventh as the country with the highest cybercrime rate in the world. (Symantec: 2018).

As an increasingly dominant phenomenon in the digital era, online commerce has great potential to influence the economic growth of a country, including Indonesia. However, its impact is not yet fully understood, especially regarding how online trade can increase productivity and create jobs, and encourage technological innovation, while facing challenges in infrastructure, regulation, and equitable internet access. Based on the above, the author is interested in conducting a study on the Impact of Online Trade on Economic Growth, by proposing several problem formulations including how E-commerce can empower the community and how the Impact of online trade on economic growth. The purpose of this study is to analyze how E-commerce can empower the community and evaluate the impact of online trading on economic growth, both on a micro and macro scale, as well as its influence on sustainable economic development.

The benefits of this research include providing businesses, especially small and medium enterprises (SMEs), with an understanding of the potential of E-commerce as an economic empowerment tool. Providing useful information for government and policy makers in formulating strategies to support inclusive economic growth through online commerce. Contribute to the development of literature on the impact of the digital economy, particularly online commerce, on sustainable economic growth.

B. METHOD

This study uses a qualitative research design with a descriptive approach to analyze the impact of online commerce on community empowerment and economic growth. Field data was obtained through in-depth interviews and direct observation in several regions of Indonesia that have high levels of e-commerce activity. The research focused on the interaction between small and medium enterprises (SMEs) and users of e-commerce and social commerce platforms. This approach was chosen to explore the subjective experiences, challenges, and benefits perceived by respondents. The design was designed to ensure the collection of data relevant to the research objectives. The population in this study includes SMEs who actively use e-commerce platforms and users who engage in online transactions on a regular basis. Respondents were selected using purposive sampling technique, which aims to obtain data from individuals who have high relevance to the research. A total of 20 businesses and 15 users of e-commerce platforms were interviewed as primary data sources. Secondary data was obtained from e-commerce annual reports, digital economy statistics, and government publications related to digital economy development. The respondents selected had diverse geographic and demographic backgrounds to represent the context of online commerce in Indonesia. Data collection was conducted using semi-structured interview instruments developed based on the digital economy theoretical framework. The interviews were recorded and the transcripts were analyzed using a thematic approach to identify key patterns in the data. Research procedures included field data collection, data verification by triangulation, and analysis using qualitative software tools. The data analysis was designed to uncover the socio-economic impacts of online commerce, both on a micro and macro scale. All research procedures were conducted in accordance with research ethics, including maintaining the confidentiality of respondents' data.

C. DISCUSSIO

Digital Economy E-commerce and Community Empowerment

E-commerce platforms primarily function to assist businesses and individual sellers in selling products online to consumers. The focus is on self-service commerce that minimizes social interaction, with an emphasis on transactions and product transparency. The user experience on these platforms is usually designed for easy navigation and product search. (Laudon, K. C., & Traver, C. G.: 2021). One of the factors that support the growth of e-commerce in Indonesia is the implementation of s-commerce. In this model, sellers promote products through social media, such as posts, stories, or paid advertisements, which creates a more interactive and personalized shopping experience.

Social commerce is the practice of shopping or buying and selling transactions conducted through social media. The concept combines elements of e-commerce with aspects such as social interaction, friend recommendations, product visualization, ease of purchase, and reviews and ratings. (al-Shawi: 2004). (Aunur Rofiq: 2014), (Nurul Huda et al: 2014).

In the world of e-commerce, consumers not only interact with shopping sites and goods offered, but also have the opportunity to discuss, share experiences, leave reviews, and influence the shopping choices of others. Various social media platforms such as Instagram, Facebook, Twitter, TikTok, and YouTube are often utilized to support s-commerce activities. Sellers can create business accounts on these platforms and share product-related content with their followers. Social media has created a new culture in online commerce, especially in Indonesia, with TikTok being a popular platform for promoting products. In April 2023, Indonesia recorded

113 million TikTok users, the most in the world. The TikTok Shop feature allows customers to buy products directly, which has been well-received since its launch in 2022 and become an online shopping favorite. Cube Asia reported that the GMV of TikTok Shop in Indonesia reached US\$2.5 billion in 2022, and US\$1 billion in the first three months of 2023, showing Indonesia's significant contribution to the value of TikTok Shop purchases. In addition to TikTok, other platforms also play an important role in the development of the digital economy.

The digital economy has revolutionized everyday life and the way businesses operate, and provides great opportunities for community empowerment. With better access to the internet and digital technology, individuals and communities can now more easily engage in economic activities that were previously difficult to access. The emergence of new entrepreneurship is increasingly driven by the digital economy, allowing individuals with creative ideas to market their products at low cost through online platforms, opening up opportunities for many to become self-employed and create jobs, such as app developers on the Google Play Store or creative content on YouTube.

For businesses, the internet and social media are effective tools to market products widely, even globally, providing opportunities for small businesses to reach international markets. The digital economy also facilitates remote work, allowing individuals to work for companies from different locations without the need to move. In Indonesia, the digital economy has been at the core of global economic transformation, with e-commerce as an important aspect that allows businesses and individuals to sell products and services online. According to Kotler and Keller, technology makes it easier for businesses to market products to a wider audience without geographical restrictions. The rapid growth of e-commerce in Indonesia is driven by increased internet penetration and the use of digital devices, opening up huge opportunities for small and medium-sized enterprises (SMEs).

Community empowerment through e-commerce includes not only economic aspects but also social aspects. It is argued that e-commerce facilitates SMEs to participate in the global market at a more affordable cost. Platforms such as Tokopedia, Shopee, and Bukalapak enable SMEs to reach new customers, increase revenue, and create jobs in local communities. In addition, social media integrated with e-commerce, such as Instagram and TikTok Shop, provide a space for personalized interaction between sellers and buyers. (Nurul Huda: 2014).

The social commerce (s-commerce) business model strengthens community empowerment with a more interactive and personalized approach. S-commerce, is the merging of social interaction elements with e-commerce transactions. Through social media such as Facebook and TikTok, sellers can promote their products through creative content, such as videos and customer reviews, which can influence purchasing decisions. This model increases consumer trust and strengthens the relationship between buyers and sellers, thus supporting business sustainability. (Themistocleous & Thanassoulis: 2013).

The digital economy also provides great benefits in terms of developing people's digital skills and literacy. Through e-commerce, individuals not only gain economic benefits, but also access training and resources that support entrepreneurial skills. McAfee and Brynjolfsson explain that digital literacy is key to reducing the skills gap in the digital age. E-commerce motivates people to understand technology, develop marketing skills, and utilize data to increase productivity. (McAfee and Brynjolfsson: 2014).

Overall, e-commerce has made a significant impact on community empowerment and economic growth. By enabling SMEs and individuals to access global markets, the digital economy has not only increased incomes but also expanded opportunities for people to actively participate in the economy. Support from digital platforms and social media has created an inclusive environment, enabling people from all walks of life to take advantage of economic opportunities that were previously out of reach. This transformation strengthens Indonesia's

economy, in line with the vision of sustainable and equitable economic growth (Azhar Sholihin & Annissa Oktapiani, 2021; Le & Hoang, 2020).

The digital economy is an important pillar in the transformation of the global economy, including in Indonesia. E-commerce, as one of the main aspects, allows businesses and individuals to sell products and services online. According to Kotler and Keller (2016) in "Marketing Management", e-commerce allows businesses to utilize technology to reach a wider audience without geographical restrictions. In Indonesia, e-commerce is growing rapidly along with the increasing use of the internet and digital devices, opening up huge opportunities for small and medium-sized enterprises (SMEs).

Community empowerment through e-commerce includes not only economic aspects but also social aspects. Nurul Huda mentioned that e-commerce facilitates SMEs to participate in the global market at a relatively low cost. Platforms such as Tokopedia, Shopee, and Bukalapak allow SMEs to reach new customers, increase revenue, and create jobs in local communities. In addition, social media integrated with e-commerce, such as Instagram and TikTok Shop, provide a space for personalized interaction between sellers and buyers. (Nurul Huda: 2014).

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Overall, e-commerce has had a significant impact on community empowerment and economic growth, by enabling SMEs and individuals to access global markets, increase income, and expand opportunities to participate in the economy. Support from digital platforms and social media creates an inclusive environment, making it easier for people from all walks of life to take advantage of economic opportunities that were previously out of reach, thus strengthening the Indonesian economy in line with the vision of sustainable and inclusive economic growth. The convenience offered by e-commerce is also driving changes in consumption patterns, where consumers now prefer e-commerce platforms that offer convenience, speed and accessibility over shopping at physical stores. According to Sukirno, this change in consumption patterns is in line with the development of technological infrastructure that facilitates interaction between producers and consumers, changing the way people buy goods and forming a new digital-based lifestyle (Sukirno: 2006).

One of the key contributions of e-commerce to community empowerment is increased economic inclusion. Digital platforms enable individuals from diverse backgrounds, including those who were previously economically marginalized, to engage in economic activity. Cong explained that e-commerce provides opportunities for rural communities to sell their local products to national and international markets. With this wider access, the economic potential of the region can be optimized, reducing the economic gap between urban and rural areas. (Chong: 2017).

The development of e-commerce also affects labor dynamics. On the one hand, e-commerce creates new employment opportunities, such as jobs in logistics, digital marketing and online store management. On the other hand, automation supported by digital technology has reduced the need for labor in some traditional sectors. Schwab emphasizes that skills adaptation is key to dealing with these changes. Training and digital skills development are becoming increasingly important to ensure that people can take advantage of the new employment opportunities emerging in the digital economy. (Schwab: 2016).

The importance of regulation and digital infrastructure is also a key factor in maximizing the benefits of e-commerce. The government has a strategic role in creating a supportive ecosystem, such as providing adequate internet infrastructure, protecting consumer rights, and ensuring the

security of digital transactions. Tahir & Waseem suggest that collaboration between the government and the private sector can accelerate the growth of e-commerce while protecting the interests of society. (Tahir & Waseem: 2019).

E-commerce and s-commerce are not only tools for economic empowerment but also means to strengthen social relationships. Through interactive features on social media, such as product reviews and customer discussions, people can share experiences and information. This creates a digital community that supports collaboration and knowledge sharing. Tapscott mentioned that the digital economy encourages the younger generation to become agents of change by utilizing technology as an empowerment tool. In this context, e-commerce is not only a business platform but also a tool for building social solidarity. (Tapscott: 2009),

The digital economy is also driving the transformation of people's consumption culture. With easy access to various e-commerce platforms, consumers are not only exposed to local products, but also global products. This creates a diversification of choices and an increase in purchasing power. In the research, it was explained that the consumer experience in the digital environment involves more dimensions, including attractive product visualization and personalization of offers. As such, e-commerce plays a significant role in enhancing the shopping experience and driving consumer loyalty.

The digitalization of the economy has helped small and medium-sized enterprises (SMEs) to grow faster and more efficiently. Before e-commerce, SMEs often faced obstacles such as limited market access and high marketing costs. However, digital platforms now allow SMEs to promote their products with low costs and wide reach. Abdillah and Sugiharto mention that the use of digital technology by SMEs increases their competitiveness, especially in an increasingly competitive market. (Abdillah and Sugiharto: 2020).

The challenges in the digital economy cannot be ignored, especially with regard to data security and consumer privacy, which are becoming increasingly important as online transactions increase. (Westin: 2023). E-commerce also plays a role in increasing financial inclusion, allowing previously unbanked people to participate in the formal economy. According to Gai, Qiu, and Sun (2021), digital transactions can reduce economic disparities by providing access to financial services for low-income people. (Gai, Qiu, and Sun: 2021).

Community empowerment through e-commerce also encourages innovation and creativity. Younger generations, in particular, are becoming more interested in creating unique content or products that can be marketed online. This increases the motivation to learn new skills, such as graphic design, digital marketing and business management. Florida explains that digital technology has created a new space for individuals to express their creativity, which in turn contributes to economic development. (Florida: 2002).

The Impact of Online Trade on Economic Growth

Online commerce, or e-commerce has experienced significant growth in recent years especially with the rapid use of the internet and digital technology. One of the main positive impacts of online commerce is the ease of access to a wider market for businesses. With e-commerce platforms, businesses can now access consumers globally, without the need to have physical stores in various places. This contributes to increased trade and economic growth. (Kotler, & P., Keller, K.L: 2016).

Based on macroeconomics, e-commerce enables efficiency in the distribution of goods and services. By reducing geographical and time barriers, e-commerce facilitates a faster and more efficient flow of goods. In this regard, online commerce plays an important role in reducing transaction and distribution costs, which is one of the barriers to growth in traditional economies (Laudon, K.C., & Traver, C.G.: 2017).

In terms of entrepreneurs, e-commerce offers opportunities for small and medium-sized enterprises (SMEs) to compete with larger companies. E-commerce platforms give them the

tools to market their products at a low cost and reach a wider market. SMEs that adopt e-commerce have the opportunity to grow their business significantly, which in turn can boost the local and national economy. (Chaffey, D.: 2019).

Online commerce also contributes to job creation. In the e-commerce sector, many new jobs are created, both in technical areas such as software development and platform management, as well as in logistics and marketing. This increase in employment has a positive impact on people's income and purchasing power, which in turn supports more inclusive economic growth. (Kauffman, R.J., & Lee, J.: 2000).

While e-commerce can accelerate economic growth, challenges such as the digital divide still need to be addressed. Limited internet access in remote areas prevents most people from taking advantage of online trading opportunities, which may lead to inequality in the distribution of economic benefits generated by online trading (Jalil, M.A., & Bakar, H.A. 2015).

In addition, while e-commerce brings many benefits, cybercrime, which is growing along with the increase in online transactions, is a major concern. The security of transactions and consumers' personal data should be a priority in the development of the e-commerce ecosystem. Consumer confidence in the security of online platforms plays a major role in driving the growth of online commerce (Symantec: 2018). E-commerce has also played a role in changing the way businesses operate. With increased competition in the digital marketplace, many companies must adopt new technologies, innovate and adapt their business models to remain competitive. This digitalization process leads to changes in business structure, which affects productivity and efficiency. The success of businesses in optimizing e-commerce platforms will directly contribute to increased competitiveness and sustainable economic growth (Porter: 1985).

E-commerce also plays a role in accelerating the development of the logistics sector, which is essential to support the fast and efficient distribution of goods. With e-commerce platforms, logistics companies are required to improve their capacity and service quality, including faster delivery, better tracking systems, and reduced operational costs. This improvement in the logistics sector contributes significantly to the overall economy. (Harrison: 2014).

Overall, the impact of online commerce on economic growth is significant. E-commerce not only provides new opportunities for businesses to expand, but also contributes to job creation and increased productivity. However, to ensure that these positive impacts are felt equally, it is important for the government and the private sector to jointly address challenges, such as the digital divide, security concerns, and adequate infrastructure. (Brynjolfsson: 2014).

As such, e-commerce has the potential to become a major driver of economic growth in the future, but it requires attention and prudent policies to optimize its benefits for all levels of society. The government needs to create policies that support the development of digital infrastructure, strengthen cybersecurity systems, and ensure equitable access to digital technology so that all parties can enjoy the benefits of online commerce. (OECD: 2019). One of the significant long-term effects of online commerce on the economy is the change in people's consumption patterns. With easy access to products and services from all over the world, consumers are now more likely to choose more diverse and quality products. This forces manufacturers and businesses to improve the quality of their products and services to remain competitive. In the long run, these changes in consumption patterns can encourage innovation and creativity in certain industry sectors, ultimately increasing productivity and economic growth (Chen: 2017).

E-commerce has had a major impact on the development of the technology and innovation sector. Online commerce encourages entrepreneurs to adopt the latest technologies, such as big data, artificial intelligence (AI), and the Internet of Things (IoT) to manage inventory and understand consumer behavior. Technology companies that focus on innovation to support digital commerce contribute to the rapid growth of the technology sector and digital economy.

The spread of digital technology is also creating a new business ecosystem oriented towards the convenience of digital services. App-based platforms and marketplaces such as Tokopedia, Bukalapak, Shopee, and Lazada leverage technology to speed up transactions and minimize overhead costs required by physical stores. As such, this reduction in transaction costs allows businesses to increase their profits, ultimately contributing to an increase in the overall gross domestic product (GDP) (Harrison: 2014).

However, to support the sustainable growth of e-commerce, adequate digital infrastructure is needed. The availability of a fast internet that can be accessed by all levels of society determines the effectiveness of online commerce. The government plays a crucial role in developing this infrastructure, both in terms of information technology, distribution networks, and secure payment systems. As digital infrastructure is strengthened, access to global markets becomes more equitable, opening up opportunities for more businesses in previously unreachable regions (OECD: 2019).

E-commerce has also promoted economic inclusion by giving previously marginalized communities, such as those living in remote areas, the opportunity to engage in global economic activity. E-commerce platforms open up opportunities for local producers to offer their products to a wider market. Through greater access to global markets, local products can gain international attention, potentially increasing local revenues and creating new economic opportunities. As such, online commerce helps narrow the economic gap between urban and rural areas. (Chaffey: 2019). On the other hand, online commerce has the potential to increase dependence on the logistics and transportation sector. The high demand for fast and secure delivery of goods has created new business opportunities in this sector, such as express delivery services and app-based courier services. This drives innovation in supply chain management, as well as creating new jobs for both drivers and workers in distribution centers. (Porter: 1985). Therefore, e-commerce not only provides direct benefits to the trade sector, but also boosts other supporting sectors.

However, while online commerce brings many benefits, there are some challenges that businesses and the government must face. One of the main issues faced is the misuse of consumers' personal data. Cybersecurity and data protection are important issues in e-commerce. The government needs to enforce stricter regulations to protect consumers' personal data, as well as ensure that e-commerce platforms adhere to high security standards to maintain consumer trust in these platforms. (Symantec: 2018).

Not only that, online commerce also risks eliminating jobs in the traditional retail sector. Physical stores that previously employed a large number of workers may be threatened with closure as more and more consumers switch to online shopping. This could lead to labor market dislocation, requiring the government to provide re-skilling for affected workers to adapt to the digital economy. Providing access to education and skills training is crucial in ensuring that this digital transformation is accepted without causing greater social inequality. (Kauffman: 2000). The impact of online trade on the economy also includes increased competitiveness between countries. With e-commerce platforms that allow products to be sold internationally, developing countries can increase their exports, introduce local products to the global market, and attract foreign investment. E-commerce allows countries with limited resources to participate in global trade in a more affordable and efficient way. It supports the economies of developing countries and strengthens their position in the global supply chain. (Laudon: 2017).

In a long-term perspective, the development of e-commerce is expected to create a more sustainable economic ecosystem. Despite challenges related to social and economic impacts, e-commerce has the potential to boost economic growth in a more inclusive and equitable manner. With prudent management of security issues, digital inequality, and impacts on traditional jobs, e-commerce can be an important pillar in driving a more equitable and sustainable transformation of the digital economy. (Brynjolfsson: 2014).

D. CONCLUSION

The digital economy through E-commerce and s-commerce has changed trade patterns and empowered communities by providing global market access without the need for physical stores. Platforms such as TikTok and Shopee are creating new entrepreneurial opportunities, increasing employment, and making transactions easier through interactive features. In addition, remote work and access to digital education help people improve their skills, support economic inclusion and reduce social inequality. These innovations contribute to sustainable economic growth by expanding business opportunities and empowering different segments of society. In addition, the transformation of the digital economy through E-commerce and s-commerce has not only changed trade patterns but also significantly impacted economic growth. By utilizing digital technology, businesses can reach global markets, improve operational efficiency, and create new jobs through entrepreneurship. Increased online transactions also boost productivity and the digital sector's contribution to national income. In addition, the digital economy makes it easier for people to access new economic opportunities, improve skills through online education, and support remote work. All of these contribute to increasing people's income, reducing economic inequality, and accelerating more inclusive economic growth. As such, the digitalization of the economy plays a central role in driving sustainable and globally competitive economic development.

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