The Influence of Digital Economy Development on the Income of Micro, Small, and Medium Enterprises in East Alok District

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ABSTRACT

This study aims to determine the influence of digital economy development on the income of Micro, Small, and Medium Enterprises in East Alok District, Sikka Regency. This research explores data sourced from Micro, Small, and Medium Enterprises (MSMEs) in Sikka Regency because Sikka Regency has many office facilities, schools, and shops, and is a center for culinary tourism in East Alok District. In this research, the author uses quantitative research. The population in this study is MSMEs in East Alok District, Sikka Regency which totals 1,548 MSMEs. In this study, the size of the sample was determined using the Slovin formula so that the number of samples to be used as samples in this study was 94 MSME Units. The purposive sampling technique is used to determine the type of sample to be used in this study. The results of the study show that the Digital Economy affects the income of MSME actors in Alok District, Sikka Regency. By leveraging digital technology, individuals and organizations can improve efficiency, reach more customers, and develop new, sustainable revenue streams.

Keywords: Income, MSMEs, Digital Economy

1. INTRODUCTION

Income is one of the most important economic indicators in assessing the well-being of individuals and society as a whole. In general, income refers to the money or rewards that a person or entity earns from various sources in a given period of time. Sources of income can vary, including salaries or wages received by employees, business profits for entrepreneurs, investment income from interest or dividends, passive income such as royalties or property rent, as well as government transfers in the form of pensions, social benefits, and other assistance. This understanding of the various sources of income provides a comprehensive picture of how individuals or entities obtain economic rewards. According to Harnanto (2019), revenue is an increase or increase in assets and a decrease or decrease in a company's liabilities which are the result of operational activities or the procurement of goods and services to the community or consumers in particular. In general, the focus of a business activity is income.

Various factors affect the amount of income a person receives. Education levels are often positively correlated with income, where individuals with higher education tend to earn more. In addition, work experience also plays an important role, as longer and relevant experience can increase the chances of earning a higher income (Toyo et al., 2024). Geographic location also affects income, with areas with a high cost of living typically offering higher salaries. In addition, the industrial sector in which one works also determines the income level, where the technology and financial industries often offer higher salaries compared to other sectors. The overall economic condition, including the stability and economic growth of a country or region, also has an impact on the income level of its people.

The government through the Ministry of Cooperatives and Micro, Small, and Medium Enterprises (Kemenkop) and the Ministry of Communication and Information Technology (Kemkominfo) together with e-commerce players initiated a program entitled 8 Million MSMEs Go Online to grow the number of MSME actors. Through this collaboration, the government also hopes to accelerate the transformation of MSMEs in Indonesia towards digital, (Kominfo, 2017). Micro, small, and medium enterprises have a very vital role in economic development and growth, not only in developing countries such as Indonesia but also in developed countries (Patty et al., 2023). In Indonesia, the role of MSMEs in addition to playing a role in development and economic growth, MSMEs also have a very important role in overcoming the problem of unemployment.

Micro, Small, and Medium Enterprises are the backbone of regional development to accelerate economic recovery so that priority programs can be implemented by various sectors and the potential can be developed. This can be seen with the contribution of MSMEs in economic growth which reached 61.07 percent, showing that the MSME sector plays an important role in creating jobs, increasing people's income, and contributing to regional domestic product. In addition, the number of MSME actors every year continues to increase until now. The amount of MSME contribution is inseparable from the internal factors of each MSME. Internal factors that affect bookkeeping or the preparation of financial statements (Yandris et al., 2023). Realizing the importance of MSMEs in supporting the Indonesia economy, on October 1, 2022, the Coordinating Ministry for Economic Affairs of the Republic of Indonesia again issued a press release entitled "The Development of MSMEs as an Important Motor of the National Economy Continues to Receive Government Support".

According to the ASEAN Investment Report issued in September 2022, the highest concentration of MSMEs in the entire ASEAN region is held by Indonesia. Abor and Quartey in Idawati and Pratama, (2020) said that the rapid increase in the number of Micro, Small, and Medium Enterprises (MSMEs) is a positive indication for a country's economy. However, the problems often faced by MSMEs will make it difficult for MSME actors to develop into large businesses. In general, MSMEs often face conventional problems that are not completely solved (closed-loop problems), such as problems with human resource capacity, ownership, financing, marketing, and various other problems related to business management and the use of technology or digital platforms to develop their businesses.

The Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) noted that in 2021 as many as 16.4 million micro, small, and medium enterprises (MSMEs) have utilized digital platforms in marketing their products. This number is around 21% of the total MSME actors in Indonesia, which is 64.1 million. The number of Micro, Small, and Medium Enterprises in East Nusa Tenggara Province itself from 2022

has reached 168,002, (Central Statistics Agency of NTT, 2023). Sikka Regency is one of the regencies in East Nusa Tenggara. Based on data from the Trade and Cooperatives Office, the number of micro-businesses in Sikka Regency in 2023 will reach 6,837 units engaged in six business sectors, including 540 units of processing industry, 419 units of trade, 940 units of services, 174 units of agriculture, 95 units of fisheries, and 659 units of livestock, (Garus, 2023).

Table 1. Data on the Condition of MSMEs in Sikka Regency in 2022-2023

NO	DISTRICT	TOTAL
1	Alok Timur	1.548
2	Alok Barat	807
3	Alok	1.380
4	Magepanda	229
5	Nita	821
6	Nele	243
7	Koting	127
8	Palue	27
9	Kangae	261
10	Hewokloang	71
11	Kewapante	325
12	Waiblama	32
13	Waigete	134
14	Talibura	73
15	Mapitara	9
16	Doreng	52
17	Bola	44
18	Tanawawo	12
19	Lela	296
20	Mego	92
21	Paga	254

This shows that the economic growth of the community in Sikka Regency cannot be separated from the role of MSMEs. It can be seen from the data in the table above that the total number of MSMEs in East Alok District is 1,548 units and is the most MSMEs compared to 20 other sub-districts in Sikka Regency. The above conditions will continue to develop, it is estimated that until the end of 2024, the number of MSME actors in Sikka Regency will continue to grow. The growth of Micro, Small, and Medium Enterprises makes it a source of employment opportunities and income. Income is very important in a business. As is the case for business continuity in Sikka Regency.

Income is an element that is expected in a business, be it micro-businesses, small businesses, medium businesses, or large businesses. Because in doing business, of course, you want to know the value or amount of income obtained during business activities. Income is very influential for the continuity of a business, the greater the income obtained, the greater the ability of a business to finance all expenses and activities to be carried out. Income is very important in a business. As is the case for business continuity in Sikka Regency (Romario et al., 2021).

This research will be conducted on MSMEs in East Alok District, Sikka Regency. Where MSME activities in East Alok District currently use internet-based social media commonly known as online commerce. MSME business actors in East Alok District promote their products through the internet as a means of communication that is in great demand by the community, with social media, MSME entrepreneurs can also use their smartphones as a medium to promote their products so that they can be known by the wider community. The following is the data on the income of the initial survey of MSMEs in the East Alok district.

Table 2. MSME Income Sample Data

No	Business Name	Sales (Pcs)			Profit (Rp)		
		Feb	Mar	April	January	February	March
1.	Karunia Printing	275	325	300	4.000.000.-	5.500.000.-	5.000.000.-
2.	Toko Putra Bintang	450	700	600	6.000.000.-	7.000.000,-	6.500.000.-
3.	Mentari Galon	520	520	520	2.000.000.-	2.000.000.-	2.000.000.-
4.	Serly Tenun	60	75	85	5.000.000.-	7.000.000.-	8.200.000,-
5.	Bakso Ma Len	70	85	100	3.000.000.-	3.000.000.-	6.000.000-

Based on Table 1.2, the results of interviews with MSME actors in measuring income, it is known that each MSME actor has a different level of sales depending on the products and services offered. Revenue based on the initial survey data above has increased and decreased in revenue in a fulcential manner in the last three months. Therefore, empowerment and strategic efforts are needed to increase MSME income. Empowering MSMEs in the midst of globalization and high competition makes Micro, Small, and Medium Enterprises (MSMEs) able to face global challenges, such as increasing product and service innovation, developing human resources and technology, and expanding marketing areas using digital platforms (Realino et al., 2023).

In today's rapid digital era, it can encourage entrepreneurship, open a business, and easily carry out development. The rapid development of digital transformation has had an impact on a country's economy and brought people and business actors into the digital economy era, which shows that there have been global changes in various countries as a whole with new technology-based systems and new regulations, especially in economic aspects (Patty et al., 2022). The digital economy creates benefits and efficiencies because digital technology drives innovation, drives job opportunities, and economic growth. The development of the digital economy and finance has fostered various digital platforms that offer innovations in production, consumption, collaboration, and so on. The use of digital platforms, including the use of digitalization of digital-based payment products and services, will also strengthen the smoothness of transactions and the overall payment system.

The digital economy is formed by business actors who use digital technology and the internet to increase efficiency, and productivity, expand market reach, and reduce operational costs. The occurrence of competition in the business world is inevitable, seeing the number of business actors in fact, the competition is getting tighter day by day. It can

be said that no product/service is marketed without going through the arena of competition in the digital economy era. The digital economy is transforming the global economy, allowing small industries to become multinational industries with their elasticity and dynamics. Digitalization encourages competition because it allows innovative business models and allows companies to scale up quickly. Tens of millions of small and medium-sized companies around the world have turned into exporters and joined the e-commerce market, and can compete with the largest multinational companies.

Indonesia as a country affected by the digital economic system, is characterized by the use of technology and the Internet in the community for comprehensive needs. The national digital economy increased because internet consumption and online buying and selling increased by 73.7% of Indonesia's total population of 204.7 million in January 2022. According to Global WebIndex, of the total internet users in Indonesia, 90% have made online purchases. This means that this number will continue to increase along with the increase in the number of internet users in Indonesia.

The increase in internet users in the current digital economy era is due to the emergence of the COVID-19 pandemic, many consumers or people tend to choose online shopping, thus ultimately increasing the demand for remote or online transactions and faster and safer payment solutions. The change in consumer interest in the online market has led to the emergence of new business models that affect the market and change conventional businesses in all sectors (Bank Indonesia, 2021). The COVID-19 pandemic has accelerated digitalization and caused fundamental changes in all aspects of life, including the acceleration towards a higher digital economy and finance, which then expands economic opportunities for many Indonesians. The development of advanced technology and information will help the growth of the digital economy and accelerate the financial inclusion of a country.

Regarding research on the influence of digital economy development on MSME income, (Sari, 2021) stated that the development of the digital economy has a positive and significant effect on MSME business income and the development of the digital economy is an important factor in business success. In addition, research on the development of the digital economy by Helmalia & Afrinawati, (2018) stated that the development of the digital economy with a focus on e-commerce has a positive and significant effect on the income of MSMEs. Research conducted by Supriyanto, (2023) which states that the development of the Digital Economy affects the Income of MSME Business Actors in Kubu Raya Regency.

However, the digital economy on the other hand can exacerbate inequality because some groups quickly follow digital developments and succeed, and some cannot follow them (Raja Zulkifi et al., 2018; Salman et al., 2016). The digital economy is still a challenge for some entrepreneurs because for those who can adapt, double the benefits will be obtained. On the other hand, entrepreneurs who cannot keep up with the sophistication of the times are not impossible to be far behind. Changes in market dynamics to the Digital Economy sector have also become the main choice for MSME actors, especially amid the COVID-19 outbreak (Piquero et al., 2020; Seetharaman, 2020). Based on the phenomenon stated in this background, the researcher is interested in conducting a study entitled "The Influence of Digital Economy Development on the Income of Micro, Small, and Medium Enterprises in East Alok District, Sikka Regency".

2. LITERATUR REVIEW

a. Income

According to Ikatan akuntan Indonesia (2019) revealed in the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP) Income is income that arises in the implementation of ordinary entity activities and is known by different designations such as sales, rewards, interest, dividends, royalties, and rents.

According to Sochib (2018), revenue is an inflow of assets arising from the delivery of goods/services carried out by a business unit during a certain period. For a company, the income obtained from the principal operation will add to the value of the company's assets which will basically also increase the company's capital. However, for accounting purposes, the increase in capital as a result of the delivery of goods or services to other parties is recorded separately from the income account.

Broadly speaking, income is classified into three (3) groups, (Artman, 2015), namely:

1) Salary and Wages. Rewards earned after the person performs work for others are given within one day, one week, or one month.
2) Income from one's own business. It is the total value of the production less the costs paid and this business is a self-owned or family-owned business and the labor comes from the family members themselves, the value of the rent of their own capital, and all these costs are usually not taken into account.
3) Income from other businesses. Income is obtained without devoting labor and this is usually a side income, among others, namely income from renting assets owned such as houses, livestock, and other goods, interest from money, donations from other parties, and income from pensions.

b. Micro, Small and Medium Enterprises (MSMEs)

Based on the Law of the Republic of Indonesia Number 20 of 2008 in Article 1 Chapter I concerning Micro, Small, and Medium Enterprises is as follows:

1) Small Business is an independent productive economic enterprise, which is carried out by an individual or business entity that is not a subsidiary or non-branch owned, controlled, or is part either directly or indirectly of a medium or large business that meets the criteria for small business as intended in this Law.
2) Medium Enterprises are independent productive economic enterprises, carried out by individuals or business entities that are not subsidiaries or branches of subsidiaries owned, controlled, or are part either directly or indirectly with small businesses or large enterprises with the amount of net worth or annual sales as regulated in this Law.

The criteria for MSMEs according to Law of the Republic of Indonesia Number 20 of 2008 in Article 6 Chapter IV are as follows:

1) The criteria for Micro Business are as follows:
   a) Have a net worth of at most Rp.50,000,000.00 (Fifty Million Rupiah) excluding land and buildings where the business is located; or
   b) Have an annual sales result of at most Rp.300,000,000.00 (Three Hundred million Rupiah)
2) The criteria for Small Business are as follows:

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      a) Have a net worth of more than Rp.50,000,000.00 (Fifty Million Rupiah) up to a maximum of Rp.500,000,000.00 (Five Hundred Million Rupiah) excluding land and buildings where the business is located; or

      b) Have an annual sales result of more than Rp.300,000,000.00 (Three Hundred Million Rupiah) to a maximum of Rp.2,500,000,000.00 (Two Billion Five Hundred Million Rupiah).

3) The criteria for Medium Enterprises are as follows:

      a) Have a net worth of more than Rp.500,000,000.00 (Five Hundred Million Rupiah) to a maximum of Rp10,000,000,000.00 (Ten Billion Rupiah) excluding land and buildings where the business is located; or

      b) Have sales proceeds of more than Rp.2,500,000,000,- (Two Billion Five Hundred Million Rupiah) up to a maximum of Rp.50,000,000,000.00 (Fifty Billion Rupiah)

4) The criteria as intended in paragraph (1) letter a letter b, and paragraph (2) letter a letter b, and paragraph (3) letter a, letter b the nominal value may be changed in accordance with economic developments regulated by presidential regulation.

From the above opinion, it can be concluded that Micro, Small, and Medium Enterprises are individual businesses or legal entities that are not branches or controlled by large companies.

c. Digital Economy

According to Fauzi (2020), the digital economy has the meaning of business transactions on the internet. The digital economy also means that the widespread use of information technology includes the use of software, hardware, applications, and telecommunications in every aspect of the economy. Meanwhile, another digital economy concept is the digitization of information and infrastructure, (Fajri et al., 2022). This concept is often used to explain the global impact of information technology and communication, not only on the internet but also on the economy. This concept is a view of the interaction between the development of innovation and technological progress and its impact on the macro and micro economy. The digital economy is an economic sector that includes goods and services when the development, production, sales, or supply depend on digital technology.

d. Research Hypothesis

Revenue is income obtained over a certain period of time. Revenue is all received from the sale of goods and services obtained in a business unit. The definition of revenue is different from the definition of income. Revenue is income that has not been deducted from costs and expenses, while income is net income that has been deducted from expenses and expenses.

The digital economy is a buying and selling transaction activity that uses technology as a medium to meet sellers and buyers In general, using the internet as a medium in the transaction process, (Syikin et al., 2020). The digital economy is a phenomenon that is being hotly discussed and is the prima donna today. The digital economy makes it easy for all business actors to increase sales through product marketing both in marketplaces, social media, and other markets by using the internet as a sales

medium. This can be done by all business actors, especially micro and small industries that can increase their income in East Alok District, Sikka Regency.

Regarding research on the influence of digital economy development on MSME income, (Sari, 2021) stated that the development of the digital economy has a positive and significant effect on MSME business income and the development of the digital economy is an important factor in business success. In addition, research on the development of the digital economy by Helmalia & Afrinawati, (2018) stated that the development of the digital economy with a focus on e-commerce has a positive and significant effect on the income of MSMEs. Research conducted by Supriyanto, (2023) which states that the development of the Digital Economy affects the Income of MSME Business Actors in Kubu Raya Regency.

However, the digital economy on the other hand can exacerbate inequality because some groups quickly follow digital developments and succeed, and some cannot follow them (Raja Zulkifi et al., 2018; Salman et al., 2016). The digital economy is still a challenge for some entrepreneurs because for those who can adapt, double the benefits will be obtained. On the other hand, entrepreneurs who cannot keep up with the sophistication of the times are not impossible to be far behind. Changes in market dynamics to the Digital Economy sector have also become the main choice for MSME actors, especially amid the COVID-19 outbreak (Piquero et al., 2020; Seetharaman, 2020). So the hypothesis taken in this study is:

"The Digital Economy Affects the Income of Micro, Small and Medium Enterprises (MSMEs) in East Alok District, Sikka Regency."

3. RESEARCH METHOD

In this research, the author uses quantitative research. The quantitative method is a research method that can be interpreted as a research method based on the philosophy of positivism, used to research on a certain population or sample, data collection using research instruments, and quantitative data analysis with the aim of testing a hypothesis that has been determined, (Sugiyono, 2018). This study explores data sourced from Micro, Small, and Medium Enterprises (MSMEs) in Sikka Regency because Sikka Regency is an area with many office facilities, schools, and shops and is a center for culinary tourism that is abundant in East Alok District, Sikka Regency.

Population is the overall subject of the study. If the researcher wants to research all the elements in the research area. According to Sugiyono (2018), Population is a generalization area consisting of objects or subjects that have certain qualities and characteristics that are determined by the researcher to be studied and then draw conclusions. The population in this study is MSMEs in East Alok District, Sikka Regency which totals 1,548 MSMEs.

A sample is a part of the population whose characteristics are to be studied and is considered to represent the entire population. A sample is part of the number and characteristics possessed by the population. For example, because there are limitations in funding, manpower, and time, researchers can use samples taken from that population. To determine a sample of a predetermined population, it is necessary to make a measurement that can produce a number.

In this study, the size of the sample was determined using the Slovin formula. The formula for Slovin is as follows:

$$n = \frac{N}{Ne^2 + 1}$$

Information:
n = sample size
N = total population
e = standard error (10%)
Based on the slovin formula, the sample size is obtained as follows:

$$n = \frac{1.548}{1.548 \times 0{,}1^2 + 1}$$

$$n = \frac{1.548}{1.548 \times 0{,}01 + 1}$$

$$n = \frac{1.548}{16{,}48}$$

$n = 93{,}9$ rounded to 94

By using the Slovin formula, the number of samples that will be used as samples in this study is as many as 94 MSME Units in East Alok District, Sikka Regency. The data analysis technique to measure the variables in this study, using IBM SPSS 25 software, by entering the results of the operationalization of the variables to be tested.

4. RESULTS AND DISCUSSION
a. Research Results
1) Test Instrument

According to Ghozali, (2018), validity tests are used to measure the validity of a questionnaire. In this study, the validity test compares the value of r-count with the value of r-table (df) = n-2, if r-count is greater than r-table then the question is declared valid and vice versa if r-count is less than t-table then the question is said to be invalid. Measure the validity of a question with r-calculation > r-table at a significant level of 5% or 0.05. In this study, the statement's validity was tested using IBM Statistics SPSS 25.

The r-value of the table is obtained by viewing and reading the r-value of the table for N = 94 with a signage-ligation of 5% (confidence level of 95% or alpha 0.05) on the r-distribution of the product moment table so that the r-value of the table is 0.202. The validity test was applied in this study using the IBM SPSS Statistics 26 application program. The results of the validity test using the IBM SPSS Statistics 26 program can be seen in Table 3 below:

Table 3. Validity Test Results

No	No Correlation Coefficient		Description
	Digital Economy (X)	Income (Y)	
1	0,696	0, 736	Valid

2	0,685	0, 823	Valid
3	0,760	0, 844	Valid
4	0,780	0, 830	Valid
5	0,677	0, 773	Valid
6	0,663	0, 778	Valid
7	0,809		Valid
8	0,582		Valid
9	0,676		Valid
10	0,617		Valid
11	0,533		Valid
12	0,728		Valid
13	0,598		Valid
14	0,712		Valid
15	0,742		Valid
Validity test criteria: **r-count > r-table = valid** r table = **0,202**			

In Table 3, it can be seen that the results of the validity test analysis show that all question items for the variables Income (Y), and Digital Economy (X) have a r-calculation value greater than the r-table so that the question is declared valid. Thus, the statements submitted in this research questionnaire can be used to measure research variables.

The reliability test measures the stability and consistency of respondents in answering matters related to statement constructs which are dimensions of a variable and are compiled in the form of a questionnaire, Ghozali (2018). Furthermore, it is stated that reliability is a tool to measure a questionnaire which is an indicator of variable. A questionnaire is said to be reliable if the answers to the questions are consistent or stable over time. The reliability test in this study was measured using the Cronbach Alpha coefficient with the help of IBM Statistics SPSS 25. A variable is said to be reliable if it gives a value of 42 Cronbach Alpha > 0.6. If the reliability value is less than 0.6, the value is not good. This means that the measuring tools used are not reliable. In this study, the reliability of the statement was tested using IBM Statistics SPSS 25.

Table 4. Summary of reliability test results

No	Variable	*Cronbach Alpha*	Description
1	Imcome (Y)	0,881	Reliable
2	Digital Economy (X)	0,917	Reliable

Based on the summary table of reliability test results, it is known that the Cronbach Alpha number for each variable is greater than the minimum value of Cronbach Alpha 0.60. Therefore, it can be concluded that the research instruments used to measure the two variables in the study can be said to be reliable or reliable.

2) Classical Assumption Test

The results of the descriptive statistical test using the data processing application, namely IBM SPSS Statistics 26, can be seen in Table 5.

Table 5. Normality Test Results

N	Test Statistic	Sig. Kolmogorov-Smirnov
94	0,105	0,063

Based on the table of normality test results, the Asymp value. Sig. (2-tailed) for both variables tested in this study was 0.062. The value of the probability is greater than 0.05. According to Ghozali, (2016:115), if the probability value is greater than 0.05, the data is normally distributed. Thus, it can be concluded that the data of this study is normally distributed because the significance value is greater than 0.05.
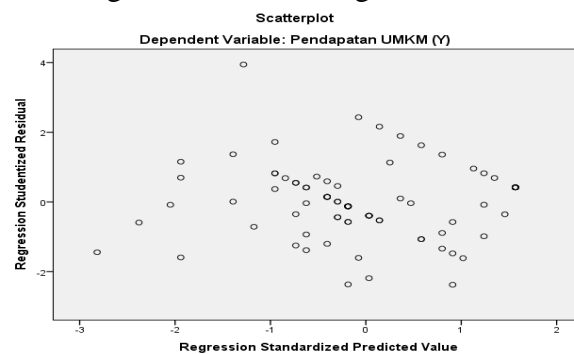

Figure 1. Scaterplot Charts

Based on the results of the heteroskedasticity test, it can be seen that the dots formed on the scatterplot graph do not form a clear pattern and are scattered above and below the number 0 on the Y axis. Thus, it can be concluded that the regression model used is heterokedastisti-free or in other words homokedastisti.

3) Simple Liniear Regression Analysis

Table 6. Simple Linear Regression Test Results

Variable	Unstandardized Coefficients B
(Constant)	5,077
Digital Economy (X)	0,300

From the table of simple linear regression test results above, it can be seen that the simple linear regression model is shown by the equation:

$$Y = 5{,}077 + 0{,}300X$$

From the regression equation above, it can be explained that:

The constant coefficient based on the regression result is 5.077, meaning that if the independent variable (Digital Economy (X)) is considered constant and has a zero value, then the value of Income (Y) is 5.077%. The regression coefficient of the Digital Economy from the regression equation is 0.300, meaning that if the Digital Economy increases by 1%, the value of Income (Y) will increase by 0.300%. Likewise, if the Digital Economy decreases by 1%, the value of Revenue (Y) will decrease by 0.300%.

4) Hypothesis Test

The results of the analysis using a data processing application, namely IBM SPSS Statistics 26, can be seen in full in table 7. below:

Table 7. Test Results t

Variable	Calculate t-value	ρ – Value t	Value Table t
Digital Economy (X)	11,770	0,000	1,980

Based on the independent variables included in the regression, it is known that the Digital Economy Variable (X) partially affects Income (Y). The calculated t-value for the Digital Economy variable (X) of 11.770 is greater than the t-value of the table, which is 1.980, as well as the ρ-Value value for the Digital Economy variable (X) of 0.000 is smaller than α (0.05). If t is calculated > t table and ρ < α (0.05), then H1 is accepted and H0 is rejected, meaning that the Digital Economy variable (X) has a significant influence on the performance variable (Y). Thus, it can be concluded that the Digital Economy variable (X) partially affects the Income variable (Y).

5) Coefficient of Determination (R^2)

The results of the determination coefficient test using the data processing application, namely IBM SPSS Statistics 26, can be fully seen in Table 8 below:

Table 8. Determination Coefficient Test Results

Model	R^2	Adj. R^2
1	0,601	0,597

Based on the table of the results of the determination coefficient test above, it is known that the R Square value is 0.601. The R Square value explains that 60.1% of the Income (Y) variable is explained by the independent variable in this study (Digital Economy (X). The remaining 39.9% of the Income (Y) variable was explained by other external factors that were not present in this study.

b. Discussion

Based on the testing of statistical results, the Digital Economy has an effect on income. This can be seen in the table which shows a significance value of 0.000. So it can be concluded that the hypothesis that the Digital Economy affects Income is accepted. The digital economy has a significant effect on increasing revenue through various mechanisms such as the creation of new business opportunities, increased productivity, access to global markets, product and service innovation, and the development of new business models. By leveraging digital technology, individuals and organizations can improve efficiency, reach more customers, and develop new, sustainable revenue streams.

The digital economy creates new business opportunities through online platforms, e-commerce, and digital applications. Individuals and companies can leverage digital technology to reach a wider market, reduce operational costs, and improve efficiency. This can increase revenue significantly. Digital technology allows for the automation of business processes, better data analysis, and more efficient communication. This increase in productivity can reduce costs and increase output, which can ultimately increase revenue. Digital platforms allow small and medium-sized companies to access global

markets at a lower cost. Access to the global market allows the company to increase sales volume and revenue by reaching customers in different countries. The digital economy encourages innovation in products and services through new technologies such as AI, IoT, and blockchain. These innovations can create new products and services that meet the evolving needs of consumers, opening up new revenue streams. The digital economy allows the development of new business models such as subscription services, freemium models, and economic platforms. This new business model can provide a more stable and sustainable source of income than the traditional business model.

The results of this study are in line with the results of Sari Research, (2021) that the development of the digital economy has a positive and significant effect on MSME business income and the development of the digital economy is an important factor in business success. The development of the digital economy was researched by Helmalia and Afrinawati (2018) stated that the development of the digital economy with a focus on e-commerce has a positive and significant effect on the income of MSMEs. In addition, the results of the research of Herman and Lulu (2022) prove that the digital economy has a positive and significant effect on the income of MSMEs. The research of Dina, Ahmad, Evendi, Muhamad, and Riki (2024) is also in line with this research that there is a positive and significant influence of the digital economy on the income of Micro, Small, and Medium Enterprises.

5. CONCLUSION

Based on the research that has been conducted on the influence of the digital economy on the income of MSME actors in Alok District, Sikka Regency, it can be concluded that the Digital Economy affects the income of MSME actors in Alok District, Sikka Regency. The digital economy has a significant effect on increasing revenue through various mechanisms such as the creation of new business opportunities, increased productivity, access to global markets, product and service innovation, and the development of new business models. By leveraging digital technology, individuals and organizations can improve efficiency, reach more customers, and develop new, sustainable revenue streams.

The suggestions in this study are:

1. For business actors to further increase their knowledge about marketing and sales using digital platforms in order to increase sales (revenue).
2. For the government to further increase the intensity of introduction, education, and training related to digital marketing for business actors.
3. For MSME Actors to have a special account to serve celebrations and consumer complaints.
4. For the next research in order to be able to add variables that affect the income of micro, small, and medium enterprises.

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