

Examining Digital Platform Usage, Adoption and Social Influence on Indonesian SME Performance and Sustainability

Hendy Tannady, Florentina Kurniasari, Arlyana Abubakar

Universitas Multimedia Nusantara

hendy.tannady@umn.ac.id

Abstract. Small and medium enterprises (SMEs) act as engines of economic growth globally, but their sustainability is threatened by lack of technology usage and digital capabilities. This study investigates how perceived ease of financial platforms, digital adoption levels and social media influence drive sustainability of Indonesian SMEs. Survey data collected from 170 SME owners is analyzed using multivariate regression analysis. Results indicate digital adoption and social influence are strong positive predictors, explaining 59.8% variance in SME performance. The digital usage also shows greater impact than traditional promotional channels. Practical and policy insights center on emphasizing digital platform training and social media engagement for long-term competitiveness of SME sector.

Keywords: small and medium enterprises, financial platform, digital adoption, social media influence.

1. Introduction

Improving business performance is the main goal of every organization, good business performance will bring profits to the organization (Gruenbichler et al., 2021). Business performance is not only the responsibility of top management, but must also involve all managerial levels down to employees at the grassroots level (Belas et al., 2019). Modernization and adoption of the latest technology are believed to be able to improve business processes, these improvements can play an active role in improving business performance (Bianchi et al., 2015).

One business organization that has great potential in supporting a country's economic growth is Small and Medium Enterprises (SMEs). The growth of a country's economic competitiveness is also supported by the high competitiveness and reliability of SMEs (Kurniasari et al., 2023). SMEs play an important role in helping the nation's economy in various forms, such as providing massive employment opportunities, helping to drive the local economy, giving birth to various forms of innovation in products and services and being an important part of the supply chain flow on a national and international scale (Tannady et al., 2023). There are several things that differentiate SMEs from larger companies, namely the number of transactions, financial stability, number of workers and number of transactions each month or each year (Anning-Dorson, 2018). Almost every country needs support from SMEs to increase its GDP (Kumar & Ayedee, 2018).

SMEs in Indonesia grew very rapidly after Indonesia experienced an economic disaster in the form of the monetary crisis in 1997. Many companies, both medium and large scale, were forced to declare bankruptcy during the monetary crisis (Safari & Saleh, 2020). This incident forced many employees who were fired by the company to survive by opening individual businesses using very limited capital. This business has given birth to many new SMEs as the backbone of the Indonesian economy. SMEs are a type of industry with revenues of IDR 300-500 million per year (Pratono, 2018). The government realizes that SMEs can increase economic competitiveness because they have an impact on national GDP. The pace of SME business is also heavily influenced by digital change and transformation. There are at least 3.7 million SMEs currently running online businesses (Pratono, 2018).

There are various factors that can influence the performance of organizations, especially SMEs. One variable that has been proven to be able to improve SME performance is perceived ease of use (Amin et al., 2014; Choon et al., 2011; Karim et al., 2020). Perceived ease of use is the perception of ease in using a new technology (Siagian et al., 2022). Perceive ease of use is also seen as an understanding by individuals and organizations that a work system in an organization is easy to understand (Bassiouni, 2019). This variable is an important factor when organizations decide to install or adopt renewable technology to increase work effectiveness (Zhang et al., 2014). The better the perceived ease of use, the easier and faster the implementation of ICT devices and technology will be realized (Rauniar et al., 2014). Ease of operating the system and reduced effort in understanding how the device works will make the work process faster and more concise (Zhang et al., 2014). Organizational movements will become more effective and efficient with the adoption of various technologies, so that perceived ease of use will have a positive and significant impact on the growth of SME performance in Indonesia.

A number of research studies have proven that there is a positive influence or impact from digital adoption on organizational performance (Bassiouni et al., 2019; Dirsehan & Can, 2020; Gao & Bai, 2014; Khan et al., 2021). The process of adopting technology in business practices is actually carried out continuously by organizations to make various improvements to the way they work, but the Covid 19 pandemic forces management to adopt it more quickly and massively so that business activities can continue to run well and be competitive in the midst of the pandemic (Usai et al., 2021). Companies adopt digital as an effective step to minimize physical contact and make various decision making more effective and efficient (Bouwman et al., 2019; Mishra et al., 2023; Amanullah et al., 2023). On the other hand, digitalization brings about massive changes in the way of life of consumers, many activities become faster and easier to do and complete, which ultimately changes consumer behavior (Chan et al.,

2019). These changes in consumer behavior must of course be responded to quickly by industry players who also quickly adopt technology and digitalization (Cuevas-Vargas et al., 2022). Adoption of this technology is not only a form of improvement in the way of serving consumers but can also be used to expand market reach (Hassan, 2017).

Another important factor that companies need today to continue to be competitive is the use of social media to provide social influence on both consumers and prospective consumers (Ahmad et al., 2019). In the era of digitalization, the use of social media has been proven to improve the performance of SMEs (Akmese et al., 2016). There are two theoretical bases for analyzing the use of social media, namely diffusion on innovation (DOI) and technology, organization and environment (TOE) (Abed, 2020). Social media is defined as a communication tool like telephone, email and other commonly used communication media to support important decision making by business people (He et al., 2017). Various functions such as marketing, public relations, customer service and market research use social media to increase effectiveness. Apart from being a communication tool, social media is also a digital platform that can explore market behavior and interests, therefore social media can be optimized to strengthen ties between producers and consumers (Akman & Mishra, 2017). Social media helps producers get closer to their markets. Producers use social media to communicate and convey messages quickly to consumers (Handarkho, 2020). Producers can also easily get feedback and even turn communication and information into transactions through social media (Li, 2019).

Based on a series of data, information and results of studies conducted by previous researchers which have been explained in the previous paragraph, so that the objective of this study is to examine the role of digital platform usage, adoption and social influence on performance and sustainability of SMEs in Indonesia.

2. Research Methodology

This research used Multilinear Regression as a tool of analysis. There are four variables studied, namely three exogenous variables and one endogenous variable. Exogenous variables consist of perceived ease of use, digital adoption and social influence. The endogenous variable is the performance of Small and Medium Enterprises (SMEs). Variabel X1 (perceived ease of use) uses three indicators, namely perception of using digital financial systems to help work, the role of digital financial systems in helping business processes and the ease of operating digital financial systems. Variable X2 (digital adoption) uses three indicators, namely I have downloaded a FinTech platform (financial institution) for digital loans, I have applied for financing from a FinTech company and I have used financing from a FinTech company. Variable X3 (social influence) uses three indicators, namely I have social media, I always ask friends or family when making financial decisions and I always communicate with friends or family regarding finances. Variable Y (SMEs performance) uses eight indicators, namely digital finance can reduce operational costs, digital finance can increase profit growth rates and grow market share, digital finance can increase customer satisfaction, digital finance can quickly confirm customer orders, digital finance can reduce cycle time delivery of products or services, digital finance can increase profits as a percentage of sales, digital finance can accelerate returns on investment and digital finance can respond quickly to market demand.

The population in this research is all SMEs in Indonesia. The research design uses conclusive research design, descriptive research and single cross-sectional design because questionnaire data collection is only carried out in one time period and uses the same characteristics of respondents, namely SME industry players in Indonesia. The sampling method uses judgmental sampling, where the criteria for respondents have been determined before the questionnaire distribution process. The method for determining the number of respondents uses Hair et al. (2010) where the number of multiplication questionnaire statement indicators is 5-10, this study used a minimum of 85 to 170 respondents. Data analysis begins with data quality testing with validity and reliability tests. The validity test parameter uses a comparison of r-count and r-table, the indicator is declared valid if r-count > r-table. The

reliability test parameters use Cronbach Alpha (α), a variable is declared reliable if $\alpha > 0.7$. The classical assumption test uses the normality test, multicollinearity test and heteroscedasticity test. Normality test parameters use a comparison of significance values, data is declared normally distributed if $\text{sig.} > 0.05$. Multicollinearity test parameters use VIF and tolerance, data is said to be free or there is no multicollinearity if $\text{VIF} < 10$ and $\text{tolerance} < 0.1$. The heteroscedasticity test parameter uses a significance value (.sig), the data can be stated that there is no heteroscedasticity problem in the regression model if $\text{sig.} > 0.05$. Significance test using t test (partial test) and F test (simultaneous test).

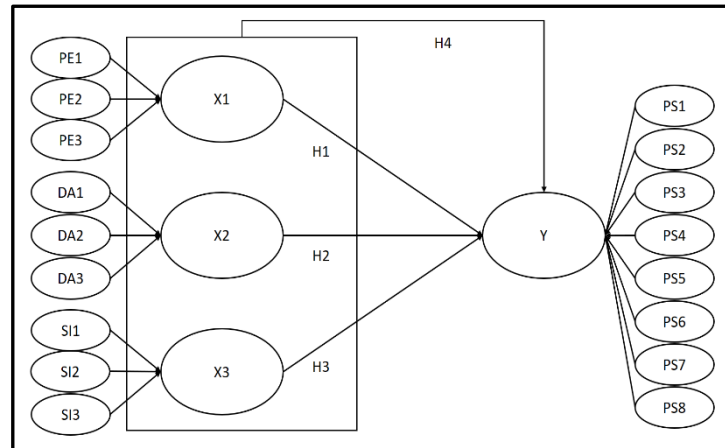


Fig. 1: Research Model

Based on the research model (Fig. 1), multilinear regression equation that can be formulated is $Y = aX_1 + bX_2 + cX_3 + e$, where e is error value (Hair, et.al., 2010). Referring to the phenomena, theories and concepts that have been discussed as well as the analysis of the model line, then it can be formulated the hypothesis of the research as follows:

H1: Perceived ease of use has significant and positive influence on SMEs performance

H2: Digital adoption has significant and positive influence on SMEs performance

H3: Social influence has significant and positive influence on SMEs performance

H4: Simultaneously all exogenous variables have significant and positive influence on SMEs performance.

3. Finding & Discussion

Based on the results of the data quality test which includes validity and reliability tests, it is known that all indicators in the perceived ease of use variable are proven to be valid because they have an r-count greater than the r-table (r-count: 0.87, 0.842, 0.862; r-table: 0.138). All indicators on the digital adoption variable were proven to be valid because they had an r-count greater than the r-table (r-count: 0.865, 0.819, 0.866; r-table: 0.138). All indicators on the social influence variable were proven to be valid because they had an r-count greater than the r-table (r-count: 0.880, 0.862, 0.863; r-table: 0.138). All indicators on the performance variable were proven to be valid because they had an r-count greater than the r-table (r-count: 0.775, 0.795, 0.813, 0.805, 0.814, 0.844, 0.822, 0.849; r-table: 0.138). The results of the reliability test show that all variables are reliable ($\alpha > 0.7$) with the Cronbach alpha value of the perceived ease of use variable being 0.821, the digital adoption variable 0.807, the social influence variable 0.835 and the performance variable 0.928.

Based on the classical assumption test, it is known that the significance value (Asym.sig 2 tailed) is 0.224. Research variables can be declared to meet the normality test because they have a significance value of more than 0.05. With the data distribution being normally distributed, the data has met the normality test and can be used in multiple regression analysis. The multicollinearity test aims to identify whether or not there is multicollinearity in a regression model. The parameters used in the

multicollinearity test are the VIF (Variance Inflation Factor) and Tolerance values. A model can be declared to have passed the multicollinearity test if the VIF value is below 10 and the Tolerance value is more than 0.1. The multicollinearity test results show that all VIF values are below 10 ($VIF < 10$) and tolerance is greater than 0.1 ($\text{tolerance} > 0.1$). The fulfillment of all parameters concludes that there is no multicollinearity problem in the regression model.

The results of the heteroscedasticity test using the Glejser method show that the significance value of the perceived ease of use variable is 0.625, the significance value of digital adoption is 0.141 and the significance value of the social influence variable is 0.687. These three values are greater than 0.05 ($\text{sig.} > 0.05$), so it can be concluded that there is no heteroscedasticity problem in the regression model. The results of the multilinear regression test show a regression coefficient value of 0.59 for the perceived ease of use variable, 1.126 for the digital adoption variable and 0.452 for the social influence variable. From the three coefficient values, the regression equation resulting from the results of data collection and data processing on the three variables used in the research is:

$$Y = 5.727 + 0.59X_1 + 1.126X_2 + 0.452X_3 + e$$

The interpretation of the regression equation is that the performance variable will have a value of 5,727 if the perceived ease of use, digital adoption and social influence variables have a value of zero (0). The regression coefficient for the perceived ease of use variable (X_1) is positive 0.59, so every 1 unit increase in the perceived ease of use variable will increase the performance variable (Y) by 0.59 assuming the other independent variables are fixed. The regression coefficient for the digital adoption variable (X_2) is positive 1.126, so every 1 unit increase in the digital adoption variable will increase the performance variable (Y) by 1.126 assuming the other independent variables have a fixed value. The regression coefficient for the social influence variable (X_3) is positive 0.452, so every 1 unit increase in the social influence variable will increase the performance variable (Y) by 0.452 assuming the other independent variables are fixed. The results of the partial significance test (sig. value) show a sig. perceived ease of use and digital adoption is 0.000, while the sig value. social influence is 0.002 ($\text{sig.} < 0.05$). The results of the influence analysis together with adjusted R^2 show that the joint influence of all independent variables on the dependent is 0.598 (59.8%) with significance below 0.05 ($\text{sig.} < 0.05$), so it can be concluded that simultaneously perceived ease of use, digital Adoption and social influence have a positive and significant effect on SME performance.

It can be concluded that partially and simultaneously all exogenous variables have a positive and significant effect on SME performance variables. The results of the research show that perceived ease of use of financial digital platforms has a positive and significant influence on SME performance in accordance with the research results of Karim et al. (2020) and Bassiouni (2019) where the better the perceived ease of use of financial digital platforms will further improve organizational performance, so that various trainings that help human resources accept and use the latest technology, especially in the financial sector, must be carried out and fully supported by management. SMEs. The research results show that there is a positive and significant influence of digital adoption on SME performance in accordance with the results of previous research conducted by Dirsehan & Can (2020), Gao & Bai (2014) and Khan et al. (2021). The faster an organization adopts digitalization and technology, the more positive it will contribute to work effectiveness and efficiency and have an impact on improving the performance of SMEs. The research results show that social influence has a positive and significant effect on SME performance in accordance with the research results of Handarkho (2020) and Li (2019). It cannot be denied that social communication carried out by SMEs through various communication channels, especially social media, has proven to be effective in informing consumers about the products and services offered, informing them of the latest programs and expanding the market. The more active use of social media will further improve the performance of SMEs in Indonesia. SMEs in Indonesia must improve their knowledge and adoption of technology and digital-based work tools. The application

of this digitalization must be carried out in every work function such as finance, operations and marketing. The government must also formulate programs that can empower and increase the productivity of SMEs digitally, because SMEs are the backbone of the national economy.

4. Conclusion

Partially and simultaneously, all exogenous variables, namely perceived ease of use of financial digital platforms, digital adoption and social influence have a positive and significant effect on the performance of SMEs in Indonesia. The variable that has the greatest influence is digital adoption. The partial influence of digital adoption is even greater than the simultaneous influence of all independent variables on SME performance. Managerial advice from research is that SMEs always update and upgrade the technology used in work processes, use social media actively and appropriately to inform SME services and expand market share and hold training for employees to improve digitalization capabilities and use of technology that can support the process, work and business processes. Suggestions for future researchers are to use other independent variables in estimating SME performance and use more specific research objects, both demographically and educational background of SME industry players, in order to gain new insights for improving SME performance in Indonesia.

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