

Influence of Financial Aspects and The Use of E-commerce on Performance of Micro, Small, Medium Enterprises (MSMEs) in Daerah Istimewa Yogyakarta

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Abstract

In order to enhance the performance of Micro, Small, Medium enterprises (MSMEs), it is necessary to consider the use of e-commerce and the financial aspects (financial management). Financial and E-commerce aspects are two important factors needed to face the challenges of the business environment in achieving high MSMEs performance. This study aims to determine the effect of financial aspects and the use of e-commerce on the performance of MSMEs. This research is associative causality. The data collection method in this study was a survey using a questionnaire with a sample of 246 MSMEs in the Province of Special Region of Yogyakarta, Indonesia. The results of this study indicate that (1) there is a positive and significant influence that the Financial Aspects on the Performance of MSMEs, (2) There is a positive and significant effect of the use of e-commerce on the Performance of MSMEs, and (3) There is a positive and significant influence of the financial aspects and the use of e-commerce simultaneously on the performance of MSMEs.

Keywords: financial aspect, use of e-commerce, performance



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I. INTRODUCTION

Indonesia's economic development in Micro, Small and Medium Enterprises (MSMEs) is always described as a sector that has an important role because advanced economic development can create a high rate of GNP (Gross National Product) growth. It should also be noted that there are countermeasures in income inequality and employment opportunities. According to Organization for Economic Co-operation and Development (OECD), more than 95% of the companies belong to the category of MSMEs, while more than 50% of the private sector is also contributed by MSMEs (Lukács, 2005). The emergence of MSMEs is a significant part of economic development and job creation (Richardson, Howarth, and Finnegan, 2004). MSMEs are productive business units managed by individuals, families, or community groups and meet the criteria as Micro, Small, and Medium Enterprises (MSMEs). The existence of MSMEs is intended as one of the foundations of a populist economy that can be the main driver of the national economy and economic resilience.

In the midst of the development of MSMEs that was not too conducive in the early-mid 2020, Indonesia was tested by the emergence of the Covid-19 outbreak. This Pandemi Corona is contagious and has an impact on MSMEs. One area that is a supporting factor for the progress of MSMEs with a lot of education, culture, and creativity is the Yogyakarta Special Region (DIY). In DIY, 59% of

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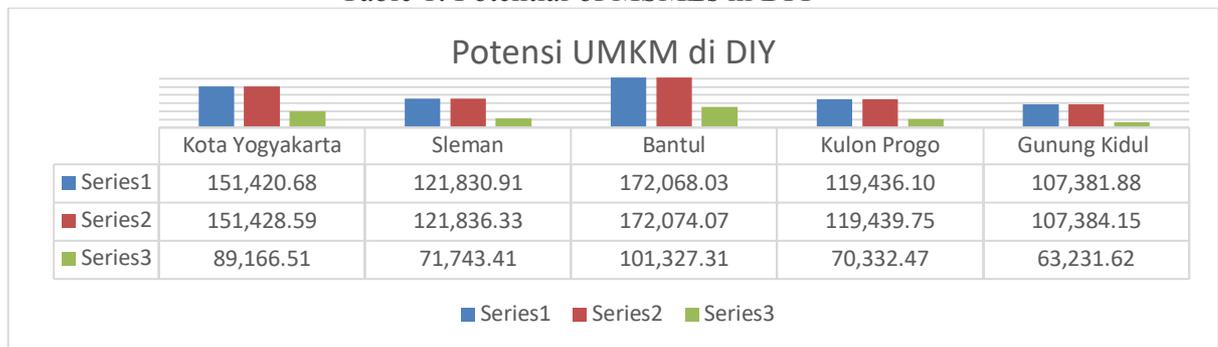
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MSMEs experienced the direct impact of the corona pandemic. This results in the business being hampered in selling its business. However, in some part of DIY, the decreasing income of MSMEs did not have much effect on the demand for goods and what they produced. Even though the income is limited during the covid-19 situation, MSMEs can still move and absorb labors.

MSME players take advantage of local sources, both human resources, capital, and raw materials. Although Covid-19 impacts the MSMEs, it does not mean that some MSMEs stop running their business. They can still try to keep running their business using digital marketing. In this covid-19 situation, UMKM players need to be ready with the situation by creating new business models and different businesses, of course, with good performance. In connection with the regional progress factor in DI during 2017 – 2020, the number of MSMEs in DIY has increased significantly. Of the five districts, the largest number of MSMEs is in the Bantul district, reaching 22,620 units.

The total number of MSMEs in DIY from 2017 to 2020 continues to increase by an average of 10.5%. The calculation of potential in various regions in DIY can be determined, can be presented in the year of 2018-2020:

Table 1: Potential of MSMEs in DIY



Resource: Disperindag UMKM dan Koperasi DIY (Data diolah)

From the table above, it can be seen that the potential for MSMEs has increased differently from one district to the others. The potential growth of MSMEs that has increased is Yogyakarta City, Bantul Regency, and Sleman Regency. Meanwhile, Gunung Kidul Regency and Kulon Progo Regency experienced the potential for MSMEs to slow down. Although Kulon Progo Regency and Gunung Kidul Regency do not have the highest and lowest number of MSMEs, Yogyakarta City has the smallest growth in the number of MSMEs compared to the other four districts.

The success of the business performance is the result of business work to achieve its goals. If the problems faced by MSMEs are not handled properly, it will have an impact on business performance. In general, the problems that are often faced by MSMEs include marketing, products, technology, financial management, the quality of Human Resources (HR), and capital (Jennings and Beaver, 1997). In terms of financial aspects, it has the objective of knowing the estimated financial management in funding and cash flow so that it is known whether a business is feasible or not. The challenges of these problems usually arise from "poor business financial management" efforts to improve business performance tend to be conventional. Especially the lack of knowledge in accessing financial resources and uncertainty in the business environment which ultimately leads to business performance, so that it can threaten the continuity of the business (Kaya and Alpkhan, 2012)

To expand the business sector, support for the use of e-commerce becomes a bridge for MSMEs to the global economic market. The use of e-commerce also has a significant role in increasing the

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inclusion of business performance. But the limitations of consumers in DIY to buy business products in small quantities make business people not take advantage of digital marketing. Furthermore, business people must always check payments via ATM machines. Then the knowledge in marketing the product to make it look attractive or different is very minimal, so it is necessary to add human resources to run a business. Even though the support and changes in the use of e-commerce are important so that MSMEs can be more elevated in terms of their roles and contributions. Financial and E-commerce aspects are parameters of important factors needed to face the challenges of the business environment. Researchers are interested in addressing the problems of the conditions of MSMEs that have been described above, so the researchers conducted a study entitled "The Influence of Financial Aspects, the use of e-commerce on the performance of Micro, Small and Medium Enterprises..

II. LITERATURE REVIEW

1. MSMEs Performance

MSME is a business entity that is a priority and priority for the government. MSME assets are not owned by a group of outside investors but are owned by owners who are usually managers (Nelson Maseko, 2011). The criteria for MSMEs in Indonesia according to the Law of the Republic of Indonesia No. 20 Regarding Micro, Small and Medium Enterprises, namely: First, a business in the micro usaha criteria if the agency has a turnover or net worth of IDR 50,000,000, excluding buildings and land. In addition, the proceeds from the sale of the micro-business must reach a minimum of Rp. 300,000,000, - within one year. Second, Small Business, namely a business, is said to be a small business if the business has a net worth of Rp. 50,000,000 with maximum use of Rp. 500,000,000. The sales results obtained during one year reach a minimum of IDR 300,000,000 and a maximum of IDR 2,500,000,000. Third, the wealth of medium-sized businesses is up to Rp. 500,000,000 to Rp. 10,000,000,000 at present and does not include land and buildings. With the result of annual sales, it must reach IDR 2,500,000,000 to IDR 50,000,000,000.

Performance is a measuring tool that is used as a parameter of the success of a business in achieving goals. Business performance can be measured through 3 things, namely efficiency, coordination, and trade (market position and sales). One measure of increased performance can be seen from the increase in sales. They concluded that MSMEs' performance is a common goal agreement within a business entity by looking at the work achieved, targets, and targets that have been predetermined with the criteria for assets and turnover that have been determined in law. The variables in this study were developed from business performance, according to (Anwar 2018). Business performance can be measured by various kinds of indicators depending on the characteristics of the business, namely, indicators of capital growth, labor growth, marketing growth, profit growth. Factors that affect business performance are external and internal factors. The drive of external factors includes influences arising from several sources of the competitive environment (Chwelos, Benbasat, and Dexter, 2001). The internal environment is also a reflection of the strengths or weaknesses of an organization, which can also reflect a management person to manage its business. This concept consists of the entrepreneur's ability, the ability to optimize the production process, and financial management capabilities.

2. Financial Aspect.

The financial aspect of it can be called spending, which is a business activity related to managing money that affects each entity. According to Lawrence (J. Gitman, 2012), knowledge of financial governance is an important business entity that can generate money to spend or invest finances.

Meanwhile (Peel Wilson, 2000). The financial aspect is one of the MSME performance indicators. Business financial information is also useful for decision making and allows MSME actors to identify problematic problem areas so that they can take corrective action on time. Capital budgeting and funding as major elements of practice in the UK. Likewise, the main financial aspect is financial literacy as a source of knowledge, skills, and expertise.

Overall, the financial aspect is an aspect in which there is money management, which includes the use of funds, where the funds are obtained, and asset management in accordance with the objectives. So that this financial aspect has a function that knows the estimated funding and cash flow, which can be seen whether the cash flow is feasible or not, measurement of this financial aspect can use indicators taken according to are personal capital, loan capital, expenditure allocation and recording.

3. The use of E-commerce

E-commerce is the activity of buying and selling of goods and services on the internet and provides the ability to carry out transactions involving goods or services between two or more parties using electronic marketing. According to (Li and Xie, 2012). Business people assume that the use of e-commerce only wastes time and money to make companies move forward without promoting their products and increasing sales turnover. However, there are benefits that will be faced in utilizing e-commerce. E-commerce provides benefits for companies in increasing efficiency, reducing inventory costs, increasing sales, improving customer relationships, penetrating new markets, and ultimately financial returns. (Sarosa and Zowghi, 2003) Therefore, e-commerce can provide different opportunities for MSMEs and help MSMEs related to the use of information technology. (Al-Qirim, 2007)

The use of e-commerce provides flexibility in production, in terms of shipping more effectively and efficiently, and can support quickly without paper. This gives encouragement to MSMEs to improve business performance. The existence of the internet sales process to increase sales (Jinling, 2009; Dewi Shanti, 2011). The source of the use of e-commerce is a factor in the emergence of ideas and innovations for users who are able to manage the internet as an opportunity to get some profit. (According to Nuray Terzi; 2011) several indicators of e-commerce utilization that are believed to improve performance are internet access, ease of information, customer interaction.

III. RESEARCH METHODOLOGY

Place and Time of Research

This research collected data of MSMEs located in the Yogyakarta Special Region (DIY), which represents Yogyakarta City, Sleman Regency, and Bantul Regency. It was chosen because, in the last three years, the growth and potential of UMKM in DIY has increased so that it has become a pioneering and superior UMKM. The subjects in this study were the owners of MSMEs.

Research design

This type of research is to use a survey research method with a quantitative approach that is associative causality. Causality associative is research that aims to determine the influence or relationship between two or more. In this study, data and information were collected from respondents using a questionnaire. After the data is obtained, the results will be described descriptively, and at the end of the study will be analyzed to test the hypotheses.

Research variable

The measurement of research variables is based on respondents' responses to all the variables that have been constructed. The type of questionnaire used in this study is an open questionnaire. An open

questionnaire is a questionnaire shaped in such a way that respondents are only asked to choose one answer that reflects their own characteristics by placing a cross (X) or a checklist ($\sqrt{\quad}$). These variables will be measured using a Likert scale. Respondents' answers to each question were scored according to the linkers scale, with a score of 1 for the lowest score and 4 for the highest score.

Population and sampling technique

The population in this study were all Micro, Small, and Medium Enterprises recorded in the data from the Department of Industry, Trade, MSMEs, and Cooperatives in Yogyakarta City, Sleman Regency, and Bantul Regency.

Sampling technique

The samples of this study were respondents or MSMEs that are located in Yogyakarta City, Sleman Regency, and Bantul Regency, with male and female characteristics. The sampling technique in this study was random sampling. Random sampling is a sampling technique in which all individuals in the population either individually or collectively are given the same opportunity to be selected as respondents.

Data Analysis Techniques

1. Normality test

This study uses a one-sample Kolmogorov Smirnov normality test tool with decision-making criteria

- a. If the significance value <0.05 (alpha), the data is not normally distributed
- b. If the significance value >0.05 (alpha), the data is normally distributed

2. Multicollinearity test

A multicollinearity test is implemented to see whether there is a correlation between the independent variables (independent) in a multiple linear regression model. The statistical tools used to test for multicollinearity disorders are the tolerance value and variance inflation factor (VIF).

3. Heteroscedasticity Test

The heteroscedasticity test aims to test whether, in the regression model, there is an unequal variance from the residuals of one observation to another. If the residual variance from one observation to another is constant, it is called homoscedasticity.

IV. FINDING AND DISCUSSION

Respondents in this study were 246 entrepreneurs of Micro, Small, and Medium Enterprises (MSMEs) in the Special Region of Yogyakarta, Indonesia. In this data analysis, the results of

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confirmatory factor analysis were obtained, which provided information that the number of samples used was sufficient, as indicated by the Kaiser Meyer Olkin Measure of Sampling Adequacy coefficient with a value greater than 0.5, which was 0.881. All data tested using the Kolmogorov-Smirnov test shows that the significance value is 0.00, which indicates that the data is valid. The reliability test results show that the Cronbach alpha reliability coefficient has a value above 0.6, giving the conclusion that the statement items in the questionnaire used as indicator variables are consistent and can be used for further analysis.

This study aims to determine the effect of financial aspects and the use of e-commerce on the performance of Micro, Small, and Medium Enterprises (MSMEs) in the Special Region of Yogyakarta. To see the effect of each variable, it can be explained as follows:

1. The influence of financial aspects on the performance of MSMEs in DIY.

The results of this study indicate the coefficient of multiple regression is 0.265, which means that there is a positive relationship between financial aspects and the performance of MSMEs. The t-test conducted in this study shows that the t-value of 5.097 with a significance level of below 0.05%. It indicates that the effect of financial aspects on the performance of MSMEs is significant. Thus, the results of the research hypothesis, which states, "Financial aspects have a positive and significant effect on the performance of Micro, Small and Medium Enterprises in DIY," is accepted.

Another thing that was found in this study is that the majority of MSME owners in DIY pay attention to their financial condition. The questions in this research questionnaire also show that the financial aspects of MSMEs in DIY depend on credit/financing, allocation, and planning of costs, as well as the separation of personal finances from family. So that the financial aspect affects the performance of MSMEs. The results of this study are supported by the results of research conducted by researchers (Anwar, 2018), which concluded that the financial aspect has a significant effect on the performance of MSMEs.

2. The effect of the use of e-commerce on the performance of MSMEs in DIY.

The results of hypothesis 2 testing indicate that the multiple regression coefficients of 0.155 mean that there is a positive relationship between financial aspects and the performance of MSMEs. The t-test conducted shows the t-value of 5.883 with a significance level of 0.000 indicates that the effect of financial aspects on the performance of MSMEs is significant.

The results of the research hypothesis, which states, "the use of e-commerce has a positive and significant effect on the performance of Micro, Small, and Medium Enterprises in DIY," is accepted.

Another thing that was found in this study is that the majority of MSME owners in DIY pay attention to the conditions of their marketing growth. The questions in this research questionnaire also show that the use of e-commerce in MSMEs in DIY depends on internet access, the ease of information for customers, and the ability to interact with customers. In this case, it is supported by MSMEs being able to use e-commerce to interact with consumers, suppliers, get to promote goods and services, provide information that is wide-reaching and based on consumer needs, and can provide online transactions (Al-Qirim, 2007) overall the use of e-commerce can affect the performance of MSMEs.

3. The influence of financial aspects and the use of e-commerce on the performance of MSMEs in DIY.

The results of testing hypothesis 3 show that the coefficient of ANOVA F-test of 48.226 with a significance value of 0.000 indicates that the regression model can be used to predict MSMEs' performance.

The result of the determination coefficient (Adjusted R²) is 0.278 or 27.8%. This value shows that the effect of the financial aspect and the use of e-commerce on the MSMEs performance 27.8%, while the rest is explained by other variables outside of this research model.

Thus, the results of the research hypothesis, which states "financial aspects and the use of e-commerce have a positive and significant effect on the performance of Micro, Small and Medium Enterprises in DIY," is accepted.

Financial aspects and the use of e-commerce together have a positive effect on the performance of MSMEs in DIY. Financial aspects are financial management in a business venture. MSMEs that manage finances well can have good performance. It can be concluded that the higher the financial aspects of MSMEs, the higher the performance of MSMEs.

The use of e-commerce is an efficiency value that can help MSMEs to operate successfully and get good performance (Al-Qirim, 2007). The use of e-commerce can support business activities so that it will affect the growth of company profits. Therefore, MSMEs who have good use of e-commerce will find it easier for MSMEs to achieve their business goals. Overall, the higher the use of e-commerce owned by MSMEs, the higher the performance of MSMEs.

This study has limitations that will later be used as a reference for further research. In order to obtain good research results, there are several limitations to this study.

1. This data collection technique still uses a questionnaire, allowing biased data due to differences in the perceptions of researchers and respondents.
2. The use of samples was not specific to the business sector, and region per each kecamatan studied.
3. This study is limited to the variables used in relation to financial management or other e-commerce usage.
4. This study is limited in data collection due to conditions that are not conducive (Covid-19 pandemic).

V. CONCLUSION AND FURTHER RESEARCH

Based on the results of the analysis and discussion of research on the influence of financial aspects, and the use of e-commerce on the financial performance of MSMEs in the Special Region of Yogyakarta, it can be concluded as follows:

1. Financial aspects have a positive and significant effect on the performance of MSMEs in the Special Region of Yogyakarta (DIY).
2. The use of e-commerce has a positive and significant effect on the performance of MSMEs in the Special Region of Yogyakarta (DIY)
3. Financial aspects and the use of e-commerce have a positive and significant effect on the performance of MSMEs in the Special Region of Yogyakarta (DIY).

Further Research

Further research can be conducted by using an interview to explore in-depth regarding the effect of the financial aspect and the use of e-commerce. In addition, more factors relevant to other management practices such as marketing management, human resources management, operation management, etc. can be included in the model to enhance the understanding relationship of management practices to the MSMEs performance.

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