

Influence of Digital Marketing, Knowledge of Information Technology On the Financial Performance of Small and Medium Enterprises (SMEs)

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Abstract

The COVID-19 pandemic has lasted almost two years. This has an impact on the sustainability of micro, small and medium enterprises (SMEs). Various efforts have been made to maintain the sustainability of SMEs, one of which is by adopting information technology in their marketing. This study aims to determine the effect of digital marketing, and knowledge of information technology on the financial performance of micro, small and medium enterprises (SMEs). This research is quantitative research. Data was obtained by using a questionnaire. The respondents in this study were SMEs actors in Kapanewon Tempel Sleman Yogyakarta. From the number of SMEs actors who are members of the SMEs Forkom as many as 110 respondents, data is obtained as many as 60 respondents. This study was analyzed using multiple linear regression analysis. Based on the results of data processing, it is known that the use of digital marketing by SMEs actors and SMEs actors' knowledge of information technology affects financial performance.

Keywords: *digital marketing, information technology knowledge, financial performance*



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INTRODUCTION

The COVID-19 pandemic has been going on for almost two years. This has an impact on sustainability (SMEs). As we know, the SMEs industry is the driving force for the Indonesian economy and the largest absorber of labor. SMEs were able to survive during the economic crisis that had occurred. It is hoped that SMEs will be able to survive during this pandemic.

Various efforts have been made to maintain the continuity of SMEs as done by the Indonesian Institute of Sciences (LIPI). LIPI conducted a survey of SMEs actors in May 2020. LIPI conducted a survey on the Impact of the COVID-19 Pandemic on the performance of Indonesian SMEs: Rapid impact survey. The purpose of the survey is to diagnose the impact of the pandemic on the sustainability of SMEs and identify strategies to restore the performance of SMEs. Surveys were conducted on, among other things, the sales methods carried out by SME actors. The result is that there are several sales methods by SME actors, which are the traditional method are 41%, physical stores are 34%, agent or reseller are 32%, the marketplace is 15%, and social media are 54%. Sales decreased during the pandemic by 94,69%. The decrease occurred in physical sales methods by 47.44%, online sales by 40.17%, combined physical and online methods by 39.41%. (LIPI, 2021).

As a mitigation effort, LIPI has a short-term priority plan to encourage online platforms to expand partnerships with SMEs, and it is hoped that the Regional Government will cooperate with research institutions to improve the quality and competitiveness of SME products.

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The rapid development of technology has encouraged small businesses to adopt it. This is done in order to be able to compete with other businesses, for that, a strategy is needed to win the market. The right strategy today is to use social media in marketing its products or services. This strategy is expected to be able to increase the sales volume of business people, especially small and medium businesses.

Digital Marketing is one of the marketing media that is currently in great demand by the public to support various activities carried out. They gradually began to leave the conventional/traditional marketing model to Modern marketing is digital marketing. With digital marketing, communication and transactions can be done at any time / real-time and can be global or worldwide.

The use of social media opens opportunities for SMEs to reach the target audience (Lucyantoro & Rachmansyah, 2017; Nugraha, 2017). This kind of communication is called marketing. To create effective marketing communication, it needs to be supported by a promotional mix, one of which is digital marketing (digital marketing). Online marketing is suitable for new businesses/businesses because it is more efficient and effective (Yoga & Nurmahdi, 2018).

Information Technology (IT) has grown rapidly at this time. The utilization of information technology for data processing is believed to improve the quality of information. Processing data into information starting from data acquisition, data management, and data manipulation will be more efficient if using information technology facilities.

By utilizing internet technology, SMEs can have broad market potential and create a variety of profitable new opportunities. The impact of technological developments in Indonesia has indeed made it easier for many business activities, one of which is the ease of finding the latest information. Currently, technology plays a very important role in boosting the performance of SMEs and overcoming difficulties in producing quality commodity goods.

One of the determining factors in business performance is product innovation. One of the impacts of technological change is innovation in a product. In addition to innovating, an entrepreneur is highly expected and required to make changes to increase his competitiveness. There are still obstacles experienced by entrepreneurs, one of which is the limited ability and aggressiveness of utilizing technology and supporting the course of business activities. Based on this, this study will examine the influence of digital marketing and the understanding of information technology on the performance of SMEs.

LITERATURE REVIEW

Company performance is a measuring tool to determine the value of a company's success in achieving a goal (Wiandari & Darma, 2017). Performance is the level of achievement obtained by a company in a certain period (Sabihaini, 2018). The indicators used to measure performance include profit growth, sales growth, capital, assets, profits, profit, and management (Sabihaini and Prasetyo, 2020; Sabihaini, 2018). Company performance is an indicator or picture for the company in the success or failure of an organization to run its main duties and functions in order to realize the goals, objectives, and vision, and mission of the company (Priyanto et al., 2017). Therefore, it can be said that performance is an achievement that can be achieved by the company in a certain period.

The company's performance can be in the form of the company's financial performance and non-financial. Financial performance is measured using monetary measurements, while non-financial performance is a response to these problems.

SME's performance is the work achievement of the company in a certain period and will be associated with a certain value measure (Aribawa, 2016). In other words, it is the success of an

organization that realizes strategic and predetermined goals with the behavior that will be expected by an organization. The performance indicators of SMEs can be seen from sales growth, profit growth, customer growth, market share growth, and financial growth (Sabihaini and Prasetio, 2020; Meliala et al., 2020; Martono and Riyanto, 2015). Meanwhile, according to Minuzu (2010), SME's performance indicators consist of sales growth, capital growth, additional workforce each year, market and marketing growth, and profit growth.

The use of digital marketing in SMEs is currently increasing along with increasing technological developments. With the increase in internet users, digital marketing will benefit the most because most of it depends on the internet. Examples of digital marketing are the use of websites, social media platforms, affiliate marketing, and email marketing.

The benefits that will be obtained by SMEs when using a digital marketing approach include being able to target all customers in the world, planning time for advertising campaigns only takes a short time, is faster and relatively inexpensive, no physical relationship is formed because digital marketing is done on the website, social media platforms, or through online videos of affiliate marketing, email marketing, search engine optimization. Digital marketing is cheaper than traditional marketing because it is done on websites and social media ((Tasneem and K. Fatema, 2015; Ankita and Naveen, 2020; Chandini, Divya and Dincy, 2020; Prajapati, 2020).

Digital marketing is a form of innovation practice adopted by SMEs to maintain the performance and viability of SMEs businesses in the face of the impact of Covid-19. The concept of innovation refers to the use of new technologies or new management practices within a SMEs to achieve targeted improvements in operations. The results of several studies that have been carried out show that the practice of innovation positive effect on the business performance of Saudi Arabian SMEs (Adam and Gadah, 2021). SMEs use digital technology to maintain their business in the midst of a pandemic (Guo et al., 2020). Their findings highlight the importance of information technology in helping SMEs overcome the challenges created by the COVID-19 crisis. Sabihaini and Prasetio (2020) found that innovation (such as specialty and executive skills innovation; capabilities in innovation and procedures; IT innovation, work instruments) can spur increased SME performance through achieving sales and profit growth targets. Because digital marketing is part of the practice of innovation, when SMEs implement it into business processes, it is expected that financial performance will increase.

H1: Digital marketing has a positive effect on the financial performance of SMEs.

Theory Acceptance Model (TAM) is a model used to predict and explain the response of technology users to the use of technology in supporting their duties. The Theory Acceptance Model was first developed by Davis in 1986. The factors that influence the use of technology in an organization are thoroughly discussed in TAM. There are several factors that affect the acceptance of technology in the work of a person or organization. These factors include the usefulness (benefits) of information technology, ease of use of information technology, the purpose of using information technology, user behavior, and the need for information technology. The TAM model is a development of the Theory of Reasoned Action (TRA) model developed by Fishbein and Ajzen (1975, 1980). TRA contains theories about a person's attitudes and behavior. So that a person's reaction and perception of information technology will determine attitudes and behavior in the use of information technology, these reactions and perceptions are a measure of a person's acceptance of information technology. Davis conducted research on the use of information

technology, and the result is that the ease of use of benefits has a relationship with attitudes to using information systems.

In 2008, TAM had developed again and was known as TAM 3. TAM 3 adds a new dimension to the Perceived Ease of Use (PEOU). This concept believes that the use of new information technology will improve performance. If a person believes that new information technology is useful, then he will use it. Vice versa. TAM 3 was developed with the aim of explaining a person's attitudes and behavior using developing technologies and the attitudes of organizations in accepting and implementing these new technologies (Surendran, 2012; Park, 2009; Venkatesh & Bala, 2008; Alomary & Woollard, 2015).

There are three main factors that influence technology use behavior: 1) attitude towards use, 2) perception of usefulness and 3) perceived ease of use. The concept of perceived usefulness refers to the tendency of people to use or not to use an application depending on one's belief that the application will be able to help someone become better. Meanwhile, the concept of perceived ease of use refers to the application even though someone feels that the application can improve the quality of life, but they feel the technology used is too heavy to use and the benefits of using the application are very difficult (Sabihaini et al., 2019). The application of the technology must be easy to implement in carrying out one's work. Users do not expect to experience difficulties in running the technology applications used (Chuttur, 2009; Surendran, 2012). Technology is created to be useful and can be used to support human activities. A person's views and attitudes towards the benefits of information technology will provide confidence so that they can improve their performance. Behavior that shows a desire for something is a measure of the possibility of someone using an information technology application (Marakarkandy, Yajnik, & Dasgupta, 2017). The development of the acceptance model of ship navigation technology for traditional fishermen in Yogyakarta has been developed by Sabihaini (2019). The results of his research show that:

1. The ease of use of fishing boat innovation technology affects the interest in using the technology continuously.
2. The ease of use of fishing vessel innovation technology affects subsequent innovations.
3. The benefits of fishing boat innovation technology affect the acceptance of the technology.
4. Technological inconvenience affects insecurity in the use of innovative fishing boat technology.

H2: Knowledge of information technology has a positive effect on the financial performance of SMEs.

RESEARCH METHOD

This research is quantitative research. Research data was obtained by using data obtained from the distribution of questionnaires. The respondents in this study were SMEs in Kapanewon Tempel Sleman Yogyakarta. From the number of SMEs actors who are members of the SMEs Forkom as many as 110 respondents, the data obtained are 40 respondents.

This study aims to see the effect of digitalization of marketing and knowledge of SMEs actors on information technology on SMEs performance. The variables of this study consisted of the dependent variable and the independent variable. The dependent variable in this study is the financial performance of SMEs. This variable is measured by using the benefits of using information technology in running its business. While the independent variables in this study consisted of digital marketing and knowledge of information technology. Digital marketing variables are measured by using knowledge and utilization of digital marketing. Information technology knowledge variables were measured using the quality of

information systems, government support, the intensity of use, perceived usefulness, and confidence in capabilities. All variables were measured using a Likert scale of 1 to 5.

This study was analyzed using multiple linear regression analysis with the following model:

$$Y = a + bX1 + bX2 + e$$

Where Y is Performance, X1 is digital marketing; X2 is information technology knowledge, and e is the standard error.

Prior to regression analysis, to obtain unbiased data, validity and reliability tests were conducted first. After the data meets the test, then it is processed using multiple regression analysis tools. The research hypothesis is supported if the value of the significance of t for each variable is less than 5%.

FINDINGS AND DISCUSSION

This research is quantitative research using primary data. The data was obtained by sending a questionnaire to the respondents. The respondents in this study were SMEs in Kapanewon Tempel Sleman Yogyakarta. From the number of SMEs actors who are members of the SMEs Forkom as many as 110 respondents, data obtained are 40 respondents. This research data is primary data, so it is necessary to test the reliability and validity of the data. Based on the results of testing the validity of the data, it shows that all the elements of the questions used to measure the research variables are valid. As for testing the reliability of the data, it shows that all the elements of the questions used to measure the research variables are reliable.

The data in this study were analyzed using multiple linear regression analysis tools. Based on regression testing, the following values are obtained

Table 1. Regression Test Results

Significance value F	0.000	
Significance value t-1	0.000	0.248 (magnitude of effect)
Significance value t-2	0.051	0.561 (magnitude of effect)
Adjusted R-Square value	0.563	

Based on the results of the regression test, it is known that the use of digital marketing by SMEs actors and SMEs actors' knowledge of information technology affects their performance. The magnitude of the influence of the use of marketing digitalization by SMEs actors on their performance is 25%. The classification of SMEs in Kapanewon Tempel Sleman, the majority are micro and small businesses. Only a few are medium-sized enterprises. Regarding the ability of SME actors to understand information technology, in fact, they are already used to using this facility, it is just limited to social media Facebook and Instagram. The intensity of its use is also still relatively low.

The magnitude of the influence of knowledge of SME actors about information technology on their performance is 56%. Most of the SME actors who are respondents are housewives with a low level of understanding of information technology, but they have a high desire to learn about information technology. This can be seen from the activities of SME actors in participating in training relevant to the use of information technology. Their knowledge of information technology is still limited to the use of social media to market their products. They have not used certain applications that are able to capture a wider market so that the most urgent thing is assistance in the use of information technology training for SMEs actors. SMEs actors also expect the assistance of information technology facilities and infrastructure (marketplace) to support the marketing of their products so that it will increase their sales turnover.

CONCLUSION AND FURTHER RESEARCH

The Covid-19 pandemic has changed consumer behavior and the map of competition. This needs to be anticipated by SMEs actors due to activity restrictions and consumers doing more activities from home by utilizing digital technology. Meanwhile, the changing industrial landscape and the new competition map are marked by four business characteristics, namely Hygiene, Low-Touch, Less-Crowd, and Low-Mobility. Companies that are successful in the pandemic era are companies that can adapt to these four characteristics.

SMEs actors are required to be able to innovate, both in terms of products and services, to be able to survive and compete with other industries. They can also grow ideas to solve social problems faced by the community to create social entrepreneurship.

Marketing is the process of expanding target customers through appropriate strategies and channels, measuring customer response, and ultimately facilitating their purchase. Technological developments have changed marketing strategies to be more advanced. The marketing strategy that is currently developing is digital marketing. Through this digital marketing, it will expand marketing targets, and this is because smartphone technology has spread to all corners of the country. The benefits of digital marketing include the speed in disseminating information in real-time; and ease in evaluating marketing activities.

Digitalization is an important answer to the problems faced during this pandemic. With the restrictions on activities during the pandemic, the need for information technology users is increasing. Such as the use of social media to market SMEs products. The use of social media in marketing SMES products has proven to influence their sales turnover. However, we need to realize that the understanding of SMEs actors towards technology, online marketing is still limited and still not maximal enough.

For this reason, it is necessary to provide training and assistance to SMEs actors in understanding information technology. This is to digitalize the marketing of SME products. This training and assistance for SMEs actors will help raise the fighting spirit of SMEs business owners to continue their business and not give up. This is because the understanding of SME actors towards information technology will be able to create ideas that can improve SME's performance.

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