

The Impact of Mobile Payment on Non-Financial Performance of SMEs During the COVID-19 Pandemic

Yeney Widya Prihatiningtias^{1,*} Najmi Wipraganang²

^{1,2} Brawijaya University, Indonesia

*Corresponding author. Email: yeney.wp@ub.ac.id

ABSTRACT

This research aims to increase the use of Information Communication Technology (ICT) services to gain a competitive advantage. As a result, this study looked into the impact of long-term use of mobile payment apps on non-financial performance on SME performance during the COVID-19 epidemic. A quantitative technique was used to identify a sample of SMEs in Malang, Indonesia. The data was acquired from the questionnaire distributions of the SME sample. They were analyzed with SPSS 21, and the findings show a link between the continued use of cellular payments and SMEs' non-financial performance throughout the COVID-19 pandemic. Using the Technology-Organization-Environment (TOE) model, the relationship between the adoption of cellular payment applications and the non-financial performance of SMEs during the COVID-19 epidemic is described.

Keywords: Mobile Payment, SMEs, Non-Financial Performance, COVID-19 Pandemic.

1. INTRODUCTION

The COVID-19 epidemic is currently affecting the entire world. COVID-19's effect will unavoidably significantly impact the country's economy and society [1]. According to the Organization for Economic Co-operation and Development (OECD), the COVID-19 pandemic poses a risk of a significant economic crisis characterised by a reduction in public consumption, a loss of consumer confidence, and a stock market crash, all of which contribute to uncertainty.

Economic activities, notably production, distribution, and sales, are disrupted in Indonesia due to the presence of Large Scale Social Restriction (PSBB), which is dominated by Small and Medium Enterprises (SMEs) as a support for the national economy. The COVID-19 outbreak has a lot of implications on the economy, particularly SMEs, on both the supply and demand sides. Employers are experiencing a labor supply shortage when employees become unwell or care for children or other dependents. Schools are closed and people's movements are restricted at the same time. Containment measures such as lockdowns and

quarantines have resulted in even lower capacity utilization.

Restrictions on community activities have an impact on SMEs in Malang, because SMEs in Malang city are also given restrictions on service to customers who can enjoy food and drinks at their places, SMEs only provide 50percent of the usual seat, and the government limits SMEs' operational hours, causing SMEs to have lower non-financial performance than usual. In this case, SMEs must be creative to survive the COVID-19 pandemic that threatens their businesses. Technology is one of the tools that can help SMEs function better in a COVID-19 pandemic situation.

Server-based electronic money is the foundation currency for mobile payment services in Indonesia. The central bank, Bank Indonesia (BI), regulates mobile payment services, which are meant to increase the unbanked population's access to financial services. Only a handful of the services' monthly use cases include bill payment, phone top-ups, and virtual transfer. In order to perform transactions using mobile phones, the internet is also required, as the increasing use of the internet in Indonesia creates

prospects for the growth of mobile payment in Indonesia.

According to the Indonesian FinTech Association and Otoritas Jasa Keuangan (OJK), FinTech providers still have a stronghold on payment services, accounting for 43 percent of all FinTech providers. It demonstrates that today's consumers seek greater payment efficiency and effectiveness, motivating FinTech companies to keep up with the latest technology to provide further efficiency to their customers. The expansion of information and communication technology, on the other hand, has changed traditional payment processes (ICT). Instead of using cash and checks, people can now undertake a variety of transactions for goods and services using creative means.

e-Payment refers to the phenomenon of mobile payment (for example, OVO, GoPay, T-Cash, DANA, and so on). Individuals can use e-Payment systems to pay for goods and services over the counter and via the Internet without cash. Furthermore, the study's main focus is on how financial technology influences food and beverage SME in Malang, Indonesia. Both the fintech industry and the food and beverage SME have experienced significant expansion in recent years. According to Fintechnews, in May 2018, Indonesia had 167 fintech startups, more than three times the number in 2015. "The State of Fintech in Indonesia," according to the "Fintech Indonesia Report 2018."

This research aims to fill in the gaps in existing research on technology adoption among SMEs, particularly those in the food and beverage industry. As a result, to widen the research, this study attempts to fill gaps in the existing literature, which focuses solely on the impact of financial technology adoption in SMEs. In addition, this research looked into the impact of mobile payment on food and beverage SMEs in Malang, Indonesia. The expected contribution to SMEs is to provide a better understanding of the benefits and drawbacks of implementing financial technology, particularly mobile payment. The research contribution is also extended to family businesses and their efforts to stay exist during challenging situations such as the COVID-19 pandemic, by utilizing advanced payment technology to increase non-financial performance.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Small Medium Enterprise

A small-medium enterprise (SME) is a business that is limited in terms of asset size and income generation in specific categories. For scholars and policymakers in each country, defining SMEs is a challenge. "Small," "medium," and "large" are relative terms that refer to the robustness of the host economy. According to Steenkamp & Kashyap [2], there is no universal definition of a small business or measurement criterion. Small and medium-sized enterprises (SMEs) are a diverse and dynamic group of firms found all over the world, and their size is measured in a variety of ways. Because each country's rules and legislation dictate the definition of SMEs and the limits in developing SMEs categories.

Small firms may be difficult to detect on paper, but they can easily recognize once seen in operation [3]. Small and medium-sized enterprises are quite easy to identify from surface surveys. Small businesses have three key characteristics, according to the Bolton Report, which serves as the primary source for SME definitions in all subsequent literature in the field: first, personal ownership of the company, second, a small market share in terms of economy, and third, independence in the sense that it is not part of a larger corporation and is relatively free of outside control in major decisions [3].

2.2. Small Medium Enterprise During COVID-19 Pandemic

The COVID-19 epidemic has detrimental impacts on the national economy, according to a study conducted by the Ministry of Finance, including a decline in consumption and purchasing power, a drop in corporate performance, threats to the banking and financial sectors, and the survival of SMEs. Furthermore, the social distancing policy, which has evolved into a physical distancing policy or a work-from-home program, impacts SMEs' performance, resulting in staff turnover and limiting SMEs' mobility to conduct their businesses. There are also various new requirements requiring SMEs to follow safety recommendations in all company activities, such as using masks, gloves, and ensuring hygiene in the manufacturing and service processes [4].

Around 37,000 MSMEs have been severely impacted by the pandemic, according to the Ministry of Cooperatives and Small and Medium Enterprises (KEMENKOP), with around 56 percent reporting a decrease in sales, 22 percent reporting financing issues, 15 percent reporting distribution issues, and 4 percent reporting difficulty obtaining raw materials [4].

Because all mobilizations are constrained, the use of technology in all economic activities must be emphasized to ensure economic sustainability throughout this epidemic. Technological progress is speeding up to the point where the global economy is turning toward digital banking and economics. However, community participation in the economy is judged insufficient, especially among young people, women, and small companies, necessitating efforts to enhance their access to economic activities through technology. For example, to prevent direct human connection, which could lead to virus transmission, mobile payment is more convenient than cash payment [5].

2.3. Mobile Payment

Payments that can be done using cellphones that use technology media such as QR code, NFC, and OTP (one-time password, secret verification code) can make it easier to make payments at outlets that accept mobile payment. Payment services using mobile payment have been used by businesses that require fast services such as online transportation (example: GO-JEK using GO-PAY) and also fast food and beverage industries before mobile payment services spread rapidly in various retails in Indonesia.

Previously, researchers divided mobile payments into three categories: mobile commerce, mobile acceptance, and mobile wallet. Mobile commerce refers to mobile devices to offer electronic commerce straight to consumers' hands, wherever they are, via wireless technology. Mobile payment acceptance is the process of integrating cellular devices (such as smartphones, tablets, or PDAs) into the system by turning them into temporary or permanent hardware that allows merchants to accept card-based payments. For instance, processing debit or credit card payments. A mobile wallet is a mobile application that allows customers to pay with their phone instead of credit or debit cards. Some wallet providers use proximity technology, such as near communication, and are either incorporated on a device or a sticker, or are cloud-based [6].

2.4. Technology-Organization-Environment (TOE)

The Technology-Organization-Environment (TOE) framework has been used to investigate the link between technology adoption and organizational performance for decades. As Al-Sharafi, Arshah, and Abu-Shanab [7] point out, the perception of benefits connected with an innovation lends economic and political legitimacy to its acceptance in an organization. SMEs must improve their performance by employing proper technology to thrive in the recent unsettled business market, defined by a fast-changing technology, shorter product life cycles, and constantly shifting client tastes.

According to Abrahamson [8], from the standpoint of competitive band pressures, a company adopts an innovation to avoid competitive losses, and it strives to prevent organizations from becoming non-adopters, which are deemed to have performance below the average of a successful innovator. Companies that were under pressure from other companies with a high level of competitiveness were more likely to implement an electronic business, according to Zhu, Kraemer, and Xu [9]. Companies under pressure from competitors and those with a lot of competition are more inclined to adopt an innovation that other companies or competitors think is good.

2.5. Performance Context

Financial results (profits, return on assets, return on investment, and so on) are divided into three categories: (1) market performance (sales, market share, and so on); (2) market performance (sales, market share, and so on); and (3) shareholder return (profits, return on assets, return on investment, and so on) (total shareholder return, economic value-added, etc.) [10]. The ultimate purpose of measuring performance is to understand financial performance, customer results, innovation, and internal procedures [11].

On a fundamental level, small and large businesses are likely to behave differently. These businesses, despite their rivalry, have widely different resources and tactics. According to studies, large organizations utilize both financial and non-financial performance metrics, but financial measures are favoured [12]. Micro enterprises utilize financial and non-financial factors to evaluate their performance. Laitinen and Chong [13] discovered that small

Finnish enterprises focused on profitability, product margins, customer happiness, and liquidity in a cross-country survey.

Non-financial performance is the emphasis of this study is a performance setting. The study will concentrate on topics that affect SMEs who use mobile payments. Non-financial performance is a long-term operational goal that focuses on improving a company's image and reputation and increasing customer loyalty and acquiring new customers [14]. According to Avlonitis, Papastathopoulou, and Gounaris [15], the most imaginative new services add the most to non-financial performance; in this study, one of the innovations supplied to clients by SMEs is the use of mobile payment. As a result, this research will focus on non-financial performance, such as the impact on customer loyalty, the acquisition of new customers, and the enhancement of a company's image and reputation. As a result, the following possibilities are proposed:

H1: Technology has a favorable impact on non-financial performance of food and beverage SMEs.

H2: Organization has a beneficial impact on non-financial performance of food and beverage SMEs.

H3: The environment has a beneficial impact on the non-financial performance of food and beverage SMEs.

H4: The COVID-19 pandemic has a detrimental influence on the non-financial performance of food and beverage SMEs.

3. RESEARCH METHOD

According to Malang City's Central Bureau of Statistics, there are 4096 active small and medium businesses, with a total food and beverage industry of 2328 in 2018 [16]. After determining the total number of SMEs in Malang, the author chose food and beverage SMEs as the sample because food and beverage SMEs are the most likely to use mobile payment. The author analyzes the total number of food and beverage SMEs that have already adopted technology by counting the number of food and beverage merchants in one of the features of online transportation, food delivery service.

The justification for this step is that SMEs must have been adapting to the mobile payment mechanism when they launched their firm on the Gojek or Grab smartphone application. As a result, the total number of SMEs using mobile payment, as

determined by the online transportation mobile application, is 327 food and beverage SMEs, the population for this study.

If there are 327 SMEs in a community that utilizes mobile payments based on online transportation mobile applications, researchers can set a minimum sample size to be obtained for analysis. The specified margin of error is 5percent, or 0.05, which resulted in a sample size of 180 SMEs for this study. This study focuses on the food and beverage industry, and respondents were chosen using a convenience sampling method. To obtain information from the management of food and beverage SMEs in Malang, this study used interviews and questionnaire distribution.

The independent variable in this study was adapted from earlier studies that used the TOE model; technology is one of the independent factors in this study. Based on earlier research utilizing the TOE model to demonstrate technology uptake. This study looks at the impact that technology has on SMEs, particularly in non-financial areas. Zhu et al. [9] examine the circumstances in which technology is used to achieve economic value. As a result, the instrument for this element is made up of nine questions. The elements are relative advantage, complexity, compatibility, security, and privacy. There are two questions for relative advantage, two questions for complexity, two questions for compatibility, and three questions for security and privacy.

The non-financial performance of SMEs is the dependent variable in this study. The non-financial performance metric used in this study has been tweaked from earlier research. Customer retention, customer satisfaction, innovation, and operational efficiency are the non-financial items picked. The rationale for selecting those things is that this study aims to improve relevancy on technology value and small-scale businesses, as small-scale businesses have less intricate operational operations than large-scale businesses.

The purpose of this study is to determine the impact of mobile payments on SMEs' non-financial performance. This study takes into account customer retention, customer satisfaction, innovation, and operational efficiency. In this study, there are three independent factors and one dependent variable. As a result, the researcher uses a statistical procedure known as multiple regression, which involves a large number of independent variables. The regression

coefficients demonstrate how important each independent variable is in predicting the dependent variable [17]. Multiple regression analysis allows you to objectively assess the degree and type of the link between the independent factors and the dependent variable. In this case, the researcher might compare the relative effect of the independent variable on the dependent variable.

4. DATA ANALYSIS AND DISCUSSION

The data for this study was gathered by sending out questionnaires to food and beverage SMEs via social media, notably Instagram. Because an unprecedented scenario, the COVID-19 pandemic, happened during the investigation, the researcher lost the capacity to travel and visit SMEs directly. As a result of the COVID-19 epidemic, the government made it mandatory for everyone to stay at home, reducing the capacity to collect the required number of samples. The goal for the initial sample was to get 180 responses. However, due to the government's social distancing policy and large-scale social distancing policy, the researcher is only able to collect 87 replies from SMEs who use mobile payment.

With a ratio of 33.3 percent, the majority of the SMEs founded since 2019 are represented in the gathered questionnaire. The bulk of respondents to the survey were business owners, with 63.2 percent being business owners, 21.8 percent being managers, 4.6 percent being marketing, 5.7 percent being social media admin, and the remaining 4.6 percent being personnel. OVO and GOPAY, which accounted for 50.6 percent of the respondents in the survey, are the most popular mobile payments among SMEs. OVO respondents make up 14.9 percent, GOPAY 32.2 percent, BayarInd 1.1 percent, and DANA 1.1 percent.

The influence of the independent variables (X1 (Technology), X2 (Organization), X3 (Environment), and X4 (COVID-19) on the dependent variable Y is then determined using a regression analysis (Non-financial performance). Several stages are carried out in the processing of data using multiple linear regression analysis to seek for the influence of the independent factors on the dependent variable. The following is a summary based on the findings of data processing using SPSS 21:

Table 1. The Summary of Multiple Linear Regression Analysis on Financial Performance

Variable	P-value t	Explanation
Constanta		
X1 (Technology)	0.052	Not significant
X2 (Organization)	0.015	Significant
X3 (Environment)	0.065	Not significant
X4 (COVID-19)	0.690	Not significant

Partially, the X1 independent variable (Technology) has a positive but non-significant influence on the dependent variable Y (Non-financial performance). As evidenced by the partial effect test, which yielded a p-value of 0.052 which was greater than 0.05. To back up the findings of the above study, several previous studies have found that technology has a positive impact on non-financial performance, even if it is considered insignificant, and that technology has a positive but insignificant impact on SMEs because mobile payment is limited to the means of payment within SMEs. On the other hand, mobile payment can make it easier for SMEs to conduct business with their clients. As a result, mobile payment has a favorable but minor impact.

Technology that is becoming more sophisticated and simple to use has an impact on a person's or a group's decision to use it to simplify their work. The findings of this hypothesis are consistent with prior research [18]. This, according to the researcher, is due to the fact that mobile payment has reached SMEs. It also aligns with the Indonesian government's desire to assist the transition to a Cashless Society era and encourage SMEs to embrace mobile payment options. Furthermore, because the system is simple and easy to grasp, many SMEs are interested in implementing mobile payment as a payment option.

4.1. Organization Positively Affects Non-Financial Performance

Several previous research have demonstrated that the organizational aspect has a positive and significant impact on non-financial performance, correlating with the findings of the aforementioned

study. The conclusion is that adoption Intention is influenced by the organization [19] [20].

The more secure mobile payments are to SMEs, the more likely they are to employ technology in their job, and SMEs also believe that using mobile payments improves their performance in non-financial areas. Simple mobile payments make it easier for them to embarrass transactions and obtain daily sales data. As a result, SMEs will continue to adopt mobile payments in their daily operations.

4.2. Environment Positively Affects Non-Financial Performance

Customers who pay using mobile payment have the option of paying with cash or using mobile payment. It also benefits SMEs because it delivers the customer's preferred mobile payment service. The use of mobile payment surged during the COVID-19 pandemic compared to the period prior to the epidemic.

Good service providers and reliable business partners ensure that the company uses technology that they believe will be profitable. The findings of this hypothesis are consistent with prior research that found the environment has an impact on mobile payment [20].

4.3. COVID-19 Negatively Affects Non-Financial Performance Insignificantly

During the COVID-19 pandemic, most SMEs experienced a drop in sales; in the case of non-financial SMEs, technical obstacles in adjusting to comply with the government's health protocols, restrictions on customers coming to SMEs as well as restrictions on SMEs' operating hours become a shortage of customers; customers also prefer to make their own dishes at home to avoid potential contamination; customers also prefer to make their own dishes at home to avoid potential contamination; customers also prefer to make their own dishes [21].

Furthermore, SMEs had a strategy for surviving the COVID-19 pandemic, specifically SMEs that appeared to have a good chance of surviving the COVID-19 pandemic era. Furthermore, because it is integrated with the delivery service and makes it easier for clients to order food through the house and pay using mobile payment, using mobile payment is a plan to survive during a pandemic.

5. CONCLUSION, IMPLICATION, LIMITATION, AND SUGGESTION

Mobile payment has been determined to have a negligible influence on SMEs' non-financial performance. It was shown that food and beverage SMEs see technology as merely a tool to help them improve their transaction process. SMEs, on the other hand, profit from this technology because it is simple to use, resulting in speedy transactions and reports at the end of the day.

The TOE construct was determined to be the most effective construct for examining the impact of mobile payment on SMEs' non-financial performance. This design demonstrates that senior management in an organization is a decision-maker. Top management continues to adopt mobile payment because of the positive and important effects it has on firms.

In terms of the COVID-19 outbreak and how it affects non-financial performance, SMEs believe it has a slight negative impact on their firm. Those who are first hindered in adhering to the government's health requirements due to technical issues might quickly adjust. The outcomes of this study have major implications for MHRS developers and suppliers. The compatibility and complexity of the technical context have a significant impact on SMEs' utilization of mobile payment. In order to facilitate organizational acceptance, mobile payment developers may need to ensure that adoption is a simple process and that solutions are compatible with the structure of SMEs.

Based on previous study, the following ideas for further research and researchers, particularly related research, and food and beverage SMEs are appropriate: The researcher should pay close attention to the editorial sentences on the questionnaire questions so that they are more easily understood by the general public and SMEs, preventing misunderstandings between researchers and respondents. Future research could broaden the sample by including different groups who use mobile payment in a larger SME setting.

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