

THE EFFECT OF DIGITAL TRANSFORMATION ON BUSINESS PERFORMANCE IN DENPASAR MSMEs (CASE STUDY ON *GO-FOOD MERCHANT DENPASAR*)

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ABSTRACT

MSMEs play an important role in Indonesia, which is a country with MSMEs accounting for 60 percent of the gross domestic product, and able to provide 97 percent of the total national workforce. This shows that MSMEs play a major role in economic development in Indonesia at IDF 2019. The key to economic development through MSMEs is collaboration or partnership. Gojek Indonesia through the Go-food service is here to help MSMEs, not only marketing services for culinary products, but financial services with Gopay, delivery services with Gojek, digital operational services in terms of recording with Gobiz. Therefore, it is important to know the impact of digital transformation on MSMEs, especially in partnership with Go-food. Knowledge of this impact will be very useful for Go-food companies to develop the competitiveness of Go-food partners, especially in Denpasar. The purpose of this study was to determine the effect of digital transformation on business performance of SMEs in Denpasar. The research method used is quantitative and qualitative, namely by using a questionnaire and in-depth interviews with research respondents.

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1. INTRODUCTION

Over the last few decades, there has been a rapid evolution in the quantity and quality of available digital technologies that can disrupt the ways in which business is conducted in Karagiannaki et al. 2017 . The rapid development of digital technology has led to the fourth industrial revolution which began in 2018 (Wuryani et al., 2020). The industrial revolution has both positive and negative impacts. The country will be more prosperous, technology can pull people out of poverty but the challenge is how to distribute it fairly. As the Fourth Industrial Revolution changes the way the future works, businesses must prepare themselves for the new world to come. Digital transformation is one of his strategies, Digital transformation can be summarized as “the use of technology to radically increase the performance or reach of a company” (Westerman, G. et al., 2011).

In the Bain and Temasek *e-conomy sea* 2019 report, Indonesia in 2019 is estimated to have an internet economic value of \$40 billion dollars , a sharp increase from 2015 which was only \$5

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billion dollars and if it develops steadily in 2025 it will reach \$130 billion dollars. In the report, it is estimated that Southeast Asia will have an internet economic value in 2025 which is \$300 billion dollars and \$130 billion of it is in Indonesia. This report shows that Indonesia has a large internet economic value compared to other countries. This dynamic creates a great opportunity for MSMEs to enter the internet economy to have a positive impact in doing business. MSMEs play an important role in Indonesia, which is a country with MSMEs accounting for 60 percent of the gross domestic product, and able to provide 97 percent of the total national workforce. This shows that MSMEs have played a major role in economic development in Indonesia in the 2019 IDF.

In its development, MSMEs have obstacles in their business development due to difficulties regarding capital, marketing, expertise and others quoted in the BPS report on the potential for increasing MSMEs. In today's world, digital transformation is an important choice for growth, for MSMEs. MSMEs must hold tightly to the opportunities of the digital era, and mine them for profit. In the midst of digital transformation, everyone is looking for ways to use new, advanced technology, to be a part of digital development. The key to economic development through MSMEs or *social entrepreneurship* is good collaboration with large, more established industries, as well as the use of technology in the 2019 IDF. Quoted from the BPS report on the potential to increase MSMEs, MSMEs are expected to use the internet, especially for marketing to increase competitiveness. It is also hoped that local *startups* can create applications, making it easier and encouraging the development of MSEs.

Partnerships are also one of the right ways, partnerships are not only coaching actions but also provide assistance to increase MSE income in the BPS report on the potential to increase MSMEs. Gojek Indonesia through *Go-food services* is here to help MSMEs, not only marketing services for culinary products, but financial services with GoPay, delivery services with Gojek, digital operational services in terms of recording with Gobiz. Therefore, it is important to know the impact of digital transformation on MSMEs, especially in partnership with *Go-food*. Knowledge of this impact will be very useful for *Go-food companies* to develop the competitiveness of *Go-food partners*, especially in Denpasar. The purpose of this study was to determine the effect of digital transformation on business performance of SMEs in Denpasar.

2. METHOD

This research is a *cross sectional mixed method research* using a qualitative approach and a quantitative approach. This study aims to determine the effect of digital transformation on business performance of MSMEs in Denpasar and data collection will be carried out in June-July 2021. The scope of this research is digital business, especially digital transformation of MSMEs using the *Go-food application*.

This study uses primary data sources which are data taken directly from the respondents who were the sample in this study. In the qualitative approach, primary data was collected through in-depth interviews using interview guidelines, while in the quantitative approach, primary data was collected through questionnaires distributed by the researcher. The research population on the quantitative approach is MSMEs in the city of Denpasar that use the *Go-food application*. The affordable population in this study were MSMEs in North Denpasar, East Denpasar, South Denpasar and West Denpasar. Sampling in a quantitative approach using the stratified random sampling method, namely all MSMEs that enter the inclusion criteria, namely:

1. The MSMEs still have active businesses
2. MSMEs that use the *Go-food application*
3. MSMEs who successfully sell products with *Go-food* at least once a month

The sample in the qualitative approach was taken by *purposive sampling method*, namely the researcher chose respondents based on the consideration that these respondents could provide adequate information to answer the researcher's questions. Informants involved in this

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study amounted to 12 informants consisting of 3 people from each Denpasar area, namely North Denpasar, East Denpasar, South Denpasar and West Denpasar.

The variables of this study include the independent variable is digital transformation and the dependent variable is business performance. In this study using a questionnaire instrument and interview guidelines. Statistical analysis used in the quantitative approach is simple linear regression. This analysis aims to see the effect of digital transformation on business performance of SMEs in Denpasar. The research flow is as follows.

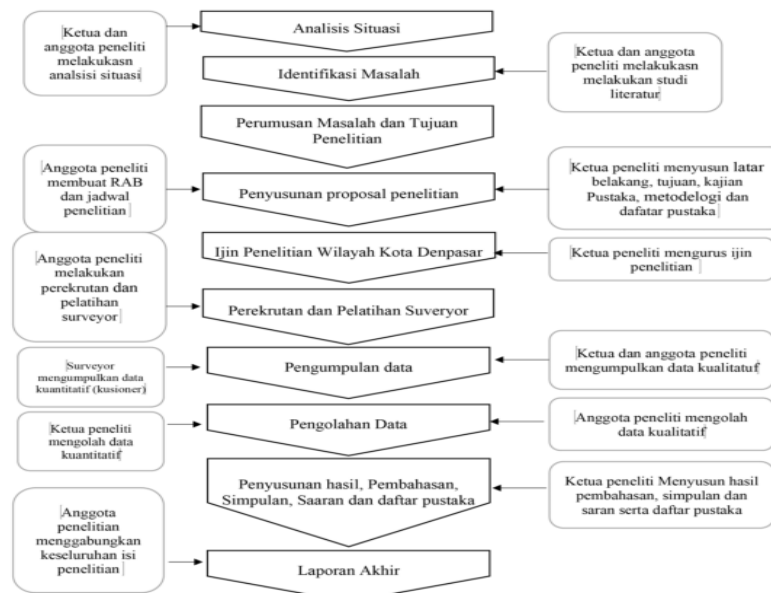


Figure 1. Research flow

3. RELUST AND DISCUSSION

This study used primary data in the form of questionnaires and interview results. The questionnaire used has been tested for validity and reliability, then quantitative analysis is carried out with linear regression analysis and significance test to determine the effect of digital transformation on business performance. Meanwhile, in-depth interviews were conducted to find out the digital transformation process and business performance at Merchant Go Food Denpasar. The results of the regression analysis carried out in this study first began with classical assumption testing, where all the assumptions used had been met. Based on the results of data analysis using *SPSS Software*, the results of data analysis are obtained as shown in the following table.

Table 1 Results of F Count

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	705,292	1	705,292	269,471	.000 ^b
Residual	256,498	98	2,617		
Total	961,790	99			

Based on the results of the analysis with the F test, the calculated F value was 269,471 with a significance of 0.000, where the significant value obtained was <0.05. This shows that the model formed is declared worthy of interpretation.

Table 2 Determination Calculation Results (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.856 ^a	.733	.731	1.618

Source: Results of Data Processing in 2021

From the results of the calculation of the coefficient of determination above, it is known that the R Square value of 0.856 multiplied by 100% obtained a value of 85.6%, meaning that the effect of digital transformation on business performance is 85.6% and when compared to 100% it can be stated that it is included in the strong category while the rest $(100-85.6) = 14.4\%$ influenced by other variables not included in the study.

The results of regression analysis using *SPSS software*, obtained data such as the following table.

Table 3 Results of Regression Coefficients Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2,519	.844		2,985	.004
1 Digital Transformation	1.123	.068	.856	16,416	.000

Source: Results of Data Processing in 2021

Based on the results of the calculation of the regression coefficients as in the table above, the value of $b = 1.123$ and the value of $a = 2.519$ then a and b are arranged into the regression equation $Y = a + bX$, the regression equation is $Y = 2.519 + 1.123X$. For the test results of the significance of the effect of digital transformation on business performance, the sig value of 0.000 is smaller than 0.05, so it can be concluded that digital transformation has a positive and significant effect on business performance of Denpasar *Go-food Merchant*.

After the regression results are obtained, to produce a better understanding of the effect of digital transformation on business performance, it is followed by interviews with several respondents. The use of integrated information systems has an important role in the organization. The development of an organization causes transactions to become more numerous and complex. In the digitalization era as it is today, all businesses are based on digital. Likewise with MSMEs, in order to be able to compete in the digital era, all business activities must use digitalization. The following are the results of in-depth interviews about digital transformation and business performance of several respondents who come from MSMEs who become service merchants *Go-food* Denpasar. Interview This is done by directly visiting the merchant and interviewing the owner of the merchant. The following are the results of interviews related to digital transformation.

Table 4 Interview Results

Respondent	Interview result
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Respondent 1	Digital transformation, especially for digitization through <i>Go-food services</i> , has a very positive impact on our business performance and productivity. Moreover, with the wide reach of our customers that can be done through digital services, this also affects our business turnover.
Respondent 2	Indeed, this is the time for the modern era, the digital era, everything is all online, just shopping online. So people who can accept the logowo have to adapt, at first we marketed our products conventionally, but like it or not, we have to transform to digital. Now we have used digital in marketing our products .
Respondent 3	At first, it was difficult for us to carry out digital transformation for our business, but because consumer behavior has started to change, like it or not, we have to adapt to switch to digital as well. And we are grateful that by selling digitally, it actually has a positive impact on the sustainability of our business.
Respondent 4	In general, we feel helped by the digital transformation in the culinary business with the <i>Go-food service</i> , at least we feel helped because it is promoted automatically, so that many customers order our products.

From the results of the interviews above, it can be concluded that several MSMEs interviewed about digital transformation on their business performance all responded positively. There were some who initially had difficulties and doubts about this digital transformation, but over time they were able to adapt and even have a positive impact on the sustainability of their business, especially in increasing turnover.

Discussion

The concept of digital transformation is shaped by the merging of personal and corporate IT environments and encapsulates the transformational effects of new digital technologies such as social, mobile, analytics, cloud technologies, and the Internet of Things (Ziyanadin. Z, et al; 2020). Perera. N (2021) Organizations should be properly incentivized by factors such as culture, leadership, IT infrastructure, processes, and so on for a successful transformation. He continued that digital transformation is an effort to accelerate business by utilizing technology tools and looking for opportunities that can help business processes in order to expand the target market. The results of the interview show that business owners/leaders are aware of the importance of using digital/online when businesses are forced to change due to the pandemic, they benefit from being able to increase promotions through online applications.

The results show that digital transformation has a positive and significant impact on MSME business performance. This means that MSMEs that are able to change using digital will be able to improve their business performance. In money. H, et al (2020) Digital transformation is a strategic response to economic trends and digital technology , continued that digital transformation is a strategic issue compared to a technical issue. The interview results show positive results for MSMEs that have carried out digital transformations that have an impact on

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their business performance. In general, at the beginning they were not very enthusiastic about digital, it was just that there was a contribution from leaders who were aware of digital. So that they have been able to adapt and even have a positive impact on the sustainability of their business, especially in increasing turnover.

The results of the interview also show that digital transformation has a role in introducing new approaches to products owned, based on interviews in the digital transformation of SMEs, it is felt in product introduction by getting new consumers with digital/online media, this result is in line with Perera. N (2021) Digital transformation is primarily concerned with the transformation of an organization and the processes that occur within it to introduce a new approach to a product, customer or service, continuing that the advantage of digital transformation is that it helps you increase your visibility and, as a result, your brand will be increasingly recognized. In money. H, et al (2020) mentions a positive relationship between digital transformation strategy and short-term and long-term performance. The results of this study are in line with research conducted by Kaur (2019) which found that the application of digital transformation was able to improve the company's performance. Another research conducted by Rassool & Dissanayake (2019), the results of his research show that digital transformation places SMEs in an excellent position to increase productivity levels in terms of digital transformation and progress to the digital maturity stage.

4. CONCLUSION

Test showing significant results on the effect of digital transformation on business performance, the sig value of 0.000 is smaller than 0.05, so it can be concluded that digital transformation has a positive and significant effect on business performance of Denpasar *Go-food Merchants*. The interview results show positive results for MSMEs that have carried out digital transformations that have an impact on their business performance. They have been able to adapt and even have a positive impact on the sustainability of their business, especially in increasing turnover. Suggestions from the results of this research are for business actors in the culinary field to be more maximum in utilizing this digital transformation so that it will have an impact on the progress of their business.

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