International Journal of Education and Social Science

ISSN : 2686-2239 (online) VOL 6 NO 2 OCTOBER 2024

Development of Digital Payments as Moderation of Business Units

Irma Shantilawati[1], Yuni Mayanti[2], Depi Hasanah[3]
[1]Faculty of Economics, Ichsan Satya University, South Tangerang, Indonesia
[2]Faculty of Economics, Masoem University, Bandung, Indonesia
[3]Faculty of Economics, STAI Sebelas April Sumedang, Sumedang, Indonesia
irmashan.uis@gmail.com[1], yunimayanti@masoemuniversity.ac.id[2], hasanahdepi@gmail.com[3]

Abstract

In line with the development of current trends, not only is meeting needs made easier, but in terms of payment transactions, it is also increasingly developing where people no longer have to provide physical money. People need convenience in terms of fulfilling their needs, as well as in terms of payment transactions, both from the consumer and seller side, so the current convenience requires people to use cashless more in every payment transaction. Therefore, the use of QRIS technology as Digital Payment is a positive trend for business actors in Indonesia and consumers. The research results show that QRIS has a positive and significant effect on consumer decisions in using QRIS transactions. However, there are obstacles faced, namely that not all consumers understand how to use QRIS and not all business actors also use QRIS. So there are difficulties for consumers who do not understand the ease of cashless payment transactions. The method used in the research uses quantitative data targeting MSMEs in Indonesia. From this background, the author conducted research with the title Digital Payment Development as Business Unit Moderation (Case Study of MSMEs in Indonesia)

Keywords: Digital Payment, Cashless, MSMES

INTRODUCTION

The development of digital technology has brought significant changes in various aspects of life, including the business world. One rapidly evolving innovation is digital payment, which has now become the primary solution in modern financial transactions. In Indonesia, the digital transformation in payment systems is supported by government policies and increasing technology adoption by the public. Bank Indonesia (2023) notes that digital payment transactions have experienced significant growth in line with increasing internet penetration and mobile device usage.

For Micro, Small, and Medium Enterprises (MSMEs), the digitalization of payment systems is an important factor in increasing competitiveness and business efficiency. Digital payment enables faster, safer, and easier transactions, thereby increasing customer satisfaction and expanding market reach. A study by Putri & Santoso (2020) shows that the adoption of digital payments by MSMEs has a positive impact on increasing revenue and operational efficiency. However, this adoption also faces challenges, such as a lack of digital literacy and trust in electronic payment systems.

In this context, it is important to understand how digital payment can play a moderating variable in the development of MSME business units in Indonesia. In other words, this study aims to explore the extent to which digital payment can strengthen the relationship between internal and external business factors and MSME growth. This is in line with research by Wicaksono & Nugroho (2019) which reveals that financial digitalization contributes to better financial management for MSME actors.

RESEARCH METHODS

The research method used in this study is a quantitative method that explains the implementation method used in research activities. The quantitative method aims to test predetermined hypotheses that will be used to examine specific populations and samples, collect data using research instruments, and analyze data that is quantitative or statistical in nature. According to Sugiyono (2019), explanatory research is a research method that intends to explain the position of the variables studied and the influence [1] of one variable on another. The main reason researchers use the explanatory research method is to test the hypotheses put forward, so it is hoped that this research can explain the relationship and influence between independent and dependent variables. This study will examine the influence of the relationship between variables. In this study, there are 2 (two) variables that will be studied, namely the independent variable consisting of Digital Payment (X), and MSMEs (Y) as the dependent variable.

RESULT AND DISCUSSION

The research findings clearly demonstrate that Indonesian society has widely embraced digital payments. This is evident from the data spanning 2022-2024, which reveals a significant surge in electronic money transactions, largely attributed to the widespread adoption of QRIS (Quick Response Code Indonesian Standard) as a preferred payment method. Digital payments have a profound impact on consumer decision-making in transactions.

1. The Evolution of Digital Payments in Indonesia
   a. Latest Statistics on Digital Transactions.

      Digital payments in Indonesia have experienced significant growth in recent years. According to data from Bank Indonesia, the value of electronic money transactions will reach IDR 399.6 trillion in 2022, an increase of 30.84% compared to the previous year. In 2023, the value of electronic money transactions is projected to increase 23.9% compared to the previous year, reaching IDR 495.2 trillion. Apart from

ISSN : 2686-2239 (online) VOL 6 NO 2 OCTOBER 2024

that, the use of QRIS (Quick Response Code Indonesian Standard) also shows a significant spike. As of May 2024, there are 49.76 million QRIS users and 32.25 million merchants who have joined. Transactions using QRIS increased 213.31% annually (year-on-year) with the value of electronic money transactions reaching IDR 4,264.8 trillion, growing 158%. Overall, this trend shows that Indonesian people are increasingly adopting digital payments in their daily activities, along with increasing acceptance and preference for more efficient and practical financial technology.

Table 1. Growth of Digital Payments in Indonesia

No.	Year	Electronic Money Transactions	Percentage Change
1	2022	Rp. 399,6 T	23,9 %
2	2023	Rp. 495,2 T	30,84 %
3	2024	Rp. 4.264,8 T	158 %

Based on a Bank Indonesia report (2023), the number of merchants who have adopted QRIS has reached more than 30 million units throughout Indonesia.

1) As many as 70% of MSMEs that have used QRIS report an increase in daily transactions compared to conventional payment methods.
2) The Indonesian Fintech Association survey (2022) shows that 85% of consumers prefer to use QRIS because of the ease and security of transactions.
3) The average transaction using QRIS has increased by 50% in the last two years.

b. Government policies to support the digital payment ecosystem.
   Regulation & Standardization of Digital Payment Systems
   1) QRIS (Quick Response Code Indonesian Standard)
      - Launched by Bank Indonesia (BI) in 2019 to standardize QR Code payments throughout Indonesia.
      - Encourage the adoption of digital payments in the MSME sector.
      - As of April 2024, the number of QRIS merchants will reach more than 32 million.
   2) Open Banking Regulations & API (Application Programming Interface) Standards BI and the Financial Services Authority (OJK) encourage open banking data to increase integration between banks and fintech.
   3) PP No. 80 of 2019 concerning Trading Through Electronic Systems (PMSE) Regulate digital transactions to protect consumers and ensure business transparency.

2. Digitalization of Payment Systems in the Public Sector
   a. Non-cash transactions for government services Payment of taxes, levies and other public services using e-money, mobile banking and QRIS.
   b. Electronification of public transportation Integration of digital payments in MRT, LRT, TransJakarta, KRL, and local transportation (angkot, regional buses).
3. Support for MSMEs & Financial Inclusion
   a. MSME digitalization program
      1) The "MSMEs Go Digital" campaign which encourages the use of digital payments for small businesses.
      2) Training for MSMEs to use QRIS, e-wallet and digital marketplace.
   b. Subsidies and incentives for using QRIS
      BI once provided a 0% MDR (Merchant Discount Rate) free incentive for MSMEs using QRIS.

4. Consumer Security & Protection
   a. Improved anti-fraud regulations and personal data protection
      1) OJK and BI tighten regulations regarding digital transaction security and user protection.
      2) Personal Data Protection Act (PDP Act) 2022 to ensure the security of user information.
   b. Digital financial education & literacy
      National campaign by BI, OJK, and the Ministry of Communication and Information to increase public understanding of safe digital transactions.
5. Regional & International Integration of Digital Payments
   a. Cross-border QR Payment
      Indonesia has established partnerships with fellow ASEAN member countries like Thailand, Malaysia, and Singapore to facilitate cross-border transactions using QRIS. This policy demonstrates the government's proactive role in fostering a secure, efficient, and inclusive digital payment ecosystem.
   b. The Role of Digital Platforms (GoPay, OVO, ShopeePay) in the MSME Ecosystem
   1) Simplifying Access to Digital Payments: These platforms enable MSMEs to effortlessly accept non-cash payments through QRIS and e-wallet applications.
   2) Boosting Transaction Efficiency: They streamline transactions, reduce reliance on cash, and minimize the risks associated with handling physical currency.
   3) Diversifying Payment Sources: MSMEs can receive payments from various sources without necessarily needing a traditional bank account.
   4) Providing Access to Capital and Loans: Some platforms offer microloans and other financial products to support MSME growth.
   5) Expanding Market Reach: Integration with e-commerce platforms like Tokopedia (GoPay), Shopee (ShopeePay), and Grab (OVO) allows MSMEs to reach a wider customer base. Features like cashback and promotions further enhance their competitiveness.
      Examples:
      - An MSME can sell products on Shopee and accept payments via ShopeePay, which often offers cashback to incentivize customer purchases.
      - GoPay and OVO facilitate seamless transactions in small shops, cafes, and even street vendors.
   6) Enhancing Digital Financial Literacy
      These platforms frequently conduct training and educational programs to improve MSMEs' digital literacy and financial management skills.
      Examples:
      - GoBiz Academy: Business digitalization training for GoFood MSMEs.
      - OVO Smart Merchant: Educational programs for MSMEs on managing digital transactions.
      - Shopee MSMEs Campus: Free workshops on digital marketing and financial management.
   7) Promoting MSME Digitalization and Inclusive Economy:
      - Digital wallets enable informal MSMEs like street vendors and traditional market sellers to participate in the digital economy without requiring significant initial capital.
      - Transaction costs are often lower compared to traditional banking systems.
      - This fosters financial inclusion, particularly for MSMEs in regions with limited access to formal banking services.

6. Challenges and Solutions in Digital Payment Implementation
   a. Obstacles Faced by MSMEs, Including Digital Literacy and Transaction Security
      1) Low Digital Literacy
         - Lack of Technological Understanding: Many MSMEs, particularly in rural areas, are unfamiliar with digital payment technologies.
         - Uncertainty in Using Applications: MSMEs often struggle to operate e-wallets, QRIS, or other digital platforms.
         - Limited Awareness of Digitalization Benefits: Some business owners prefer cash transactions due to the perceived complexity of digital payments.

         Solutions:
         - Educational and training programs by the government and fintech companies (e.g., GoBiz Academy, Shopee UMKM Campus, OVO Smart Merchant).
         - Public awareness campaigns on digital financial literacy by Bank Indonesia (BI) and the Financial Services Authority (OJK).
      2) Transaction Security and Digital Fraud
         - Prevalence of Online Fraud: MSMEs are often targets of phishing, scams, and fraud in digital transactions.
         - Customer Data Misuse: There's a risk of data breaches and identity theft due to weak security systems on some platforms.
         - Fictitious Transactions and Chargebacks: Some customers make payments and then cancel them after receiving goods, causing losses to sellers.

         Solutions:
         - Implementing multi-layered security (2FA, OTP, data encryption) on digital payment platforms.
         - Educating MSMEs to be more vigilant against digital fraud tactics.
         - Strengthening regulations by OJK and BI to protect MSMEs from data misuse.
      3) Costs and Administrative Burden
         - Digital Transaction Fees (MDR): While MDR rates are generally low, they can still be a burden for small businesses.
         - Reconciliation and Bookkeeping: Managing digital transactions can add complexity to accounting processes.

         Solutions:
         - Government and Bank Indonesia provide incentives for reducing MDR fees for MSMEs.
         - Utilizing digital bookkeeping applications (e.g., Buku Warung, Moka POS) or fintech financial apps.
         - Providing digital financial training for MSMEs to manage transactions more efficiently.
      4) Limitations in Digital Infrastructure
         - Uneven Internet Access: MSMEs in remote areas often experience limited access to the internet and digital devices.
         - Lack of Supporting Facilities: Many MSMEs still rely on conventional methods due to a lack of devices (smartphones, computers).

         Solutions:
         - The government continues to expand internet access and 4G/5G networks to remote areas.
         - Subsidy programs to enable MSMEs to acquire digital devices at affordable

prices.

- Digital payment service providers offer light application versions for use on low-spec devices.

5) Changing Consumer Habits
    - Preference for Cash: Some customers are still more comfortable with cash payments.
    - Low Trust in Digital Transactions: Trust in digital transactions remains low, especially among the elderly.
    - Dependence on Promotions: Many customers only use digital wallets when there are discounts or cashback offers, making it difficult for MSMEs to sustain consistent digital transactions.

    Solutions:
    - Educational campaigns on the safety and convenience of digital payments for the wider community.
    - Enhancing loyalty and reward programs for customers who regularly use digital transactions.

CONCLUSIONS

Based on the research that has been conducted, it can be concluded that digital payments have a significant role in encouraging the growth of MSMEs in Indonesia. Although there are still various challenges in implementation, the benefits offered by digital payment systems are enormous, including increasing transaction efficiency and expanding market reach. Therefore, joint efforts are needed from the government, business actors and digital payment service providers to overcome existing obstacles and maximize the potential of digitalization in the MSME ecosystem.

REFERENCES

Afriani, L., Fajarianto, O., Harimurti, E. R., Nadiputri, A. N., & Putri, V. K. (2024). Aromatherapy candles as double protection: A modern solution to a classic problem. *IJESS International Journal of Education and Social Science*, *5*(1), 155-160.

Bank Indonesia. (2023). Laporan Perkembangan Sistem Pembayaran Digital di Indonesia.

Davis, F. D. (1989). Perceived Usefulness, Perceived Ease of Use, and User Acceptance of Information Technology. MIS Quarterly, 13(3), 319-340.

Darma, Y., & Supriyanto, E. (2021). Peran Digital Payment dalam Meningkatkan Daya Saing UMKM di Indonesia. Jurnal Ekonomi Digital, 5(2), 120-135.

Fajarianto, O., Setiyowati, A. J., Fadhli, M., Adi, E. P., Prastiawan, A., Hasanah, W., ... & Ismail, A. (2024, October). Development of a Flipbook Based on a Knowledge Management System to Improve the Integrity Character of Education Personnel in Tertiary Institutions. In *2024 10th International Conference on Education and Technology (ICET)* (pp. 32-35). IEEE.

Fama, E. F. (1970). Efficient Capital Markets: A Review of Theory and Empirical Work. Journal of Finance, 25(2), 383-417.

Harsono, Y., Fajarianto, O., & Afriani, L. (2024). The Influence of Leadership Style and Work Discipline on Employee Performance. *IJESS International Journal of Education and Social Science*, *5*(1), 1-8.

Kotler, P., & Keller, K. L. (2019). Marketing Management (15th Edition). Pearson.

Putri, R. A., & Santoso, D. (2020). Transformasi Digital dalam UMKM: Adopsi dan Implikasi Pembayaran Digital. Jurnal Manajemen dan Kewirausahaan, 18(1), 45-60.

Rogers, E. M. (2003). Diffusion of Innovations (5th Edition). Free Press.

Sudrajat, D., Wijayanti, S. K., Wibowo, S. N., & Fajarianto, O. (2024). The Effects Of Product Quality And Promotion On Customer Purchase Intention On Foods Offered Through Online Delivery Services. *International Journal of Economics, Business and Accounting Research (IJEBAR)*, *8*(1).

Wicaksono, T., & Nugroho, A. (2019). Pengaruh Pembayaran Digital terhadap Pertumbuhan UMKM di Era Industri 4.0. Jurnal Bisnis dan Teknologi, 6(3), 80-95.