The Effect of Financial Technology, Innovation, Business Strategy, and Market Orientation on Business Performance among Indonesian SMEs: A Study in Riau Province

(Kesan Teknologi Kewangan, Inovasi, Strategi Perniagaan, dan Orientasi Pasaran terhadap Prestasi Perniagaan di kalangan PKS Indonesia: Kajian di Wilayah Riau)

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ABSTRACT

The pandemic's negative impact on SMEs' performance have been particularly felt as a result of changes in consumer behavior. Therefore, strategic actions are required to accelerate the growth of SMEs in the post-pandemic era. Based on the Dynamic Capabilities Theory, the aim of this study was to analyze the effect of financial technology, innovation, business strategy, and market orientation on the business performance of SMEs in Riau Province, Indonesia. Using purposive sampling, survey data was collected from a sample of 123 SME owner-managers. Data analysis using partial least squares structural equation modeling showed that financial technology, innovation, business strategy, and market orientation significantly affect the business performance of SMEs. SME owner-managers use financial technology to make new breakthroughs through innovation, implement more diverse business strategies, and improve market orientation. The findings suggest that long-term digital technology development strategies are required as a platform for SMEs to grow.

Keywords: Innovation; financial technology; business strategy; market orientation; small and medium enterprises

ABSTRAK

Kesan negatif pandemik terhadap prestasi PKS amat dirasai akibat perubahan dalam tingkah laku pengguna. Oleh itu, tindakan strategik diperlukan untuk mempercepatkan pertumbuhan PKS dalam era pasca-pandemik. Berdasarkan Teori Keupayaan Dinamik, tujuan kajian ini adalah untuk menganalisis kesan teknologi kewangan, inovasi, strategi perniagaan, dan orientasi pasaran terhadap prestasi perniagaan PKS di Wilayah Riau, Indonesia. Menggunakan persampelan bertujuan, data tinjauan dikumpul daripada sampel 123 pemilik-pengurus PKS. Analisis data menggunakan pemodelan persamaan struktur kuasa dua terkecil separa menunjukkan bahawa teknologi kewangan, inovasi, strategi perniagaan, dan orientasi pasaran mempengaruhi prestasi perniagaan PKS secara signifikan. Pemilik-pengurus PKS menggunakan teknologi kewangan untuk mencipta penemuan baharu melalui inovasi, melaksanakan strategi perniagaan yang lebih pelbagai, dan memperbaiki orientasi pasaran. Penemuan ini menunjukkan bahawa strategi pembangunan teknologi digital jangka panjang diperlukan sebagai platform untuk PKS berkembang.

Kata kunci: Inovasi; teknologi kewangan; strategi perniagaan; orientasi pasaran; perusahaan kecil dan sederhana

INTRODUCTION

The performance of Small and Medium Enterprises (SMEs) has been disrupted since the emergence of the COVID-19 pandemic in early 2020, with almost all sectors in which SMEs operate being affected. The pandemic has thus required SME managers to shift their mindset on how to sustain and be more realistic in the post-COVID-19 era. Accordingly, Zaazou and Salman (2022) posited that SMEs must foster innovation and create

breakthroughs to survive through this period. Simultaneously, Okuwhere and Tafamel (2022) have revealed that the post-pandemic period has seen an increase in the unemployment rate, necessitating businesses to be more critical in their operations.

In Indonesia, SMEs contribute significantly to regional and national development, as well as to labor absorption and lower unemployment rates (Sari 2016). Aligning with the Indonesian government's ASEAN market policy focus on promoting national product branding, SMEs excel in various markets and contribute to product exports. For example, Kreasi Nusantara facilitates the sale of local products to Malaysia and Singapore, while "Buka Global" enables customers from Malaysia, Singapore, Brunei, Hong Kong, and Taiwan to purchase local products, and "ASEAN Online Sale Day" aims to boost cross-border e-commerce transactions in the Southeast Asian region (RI Coordinating Ministry for Economic Affairs, Republic of Indonesia 2021). With these initiatives, the number of SMEs continues to rise in the country, leading to increasingly fierce competition. Consequently, SMEs need to possess competitive advantages and values that align with the of their operations. However, a survey by Caturini (2020) indicates that 96% of Indonesian SMEs experienced disruptions in their business processes during the pandemic, with 75% reporting a significant drop in revenue, 22% facing difficulties in obtaining financing, and 15% encountering various other problems. A similar impact was felt on people's purchasing power and consumption due to the pandemic.

Consequently, like many other countries, the post-COVID-19 pandemic period has had adverse effects on the viability of SMEs in Indonesia, particularly in Riau Province. SMEs in this province have suffered drastic declines in sales, operating profit income, capital, manpower, and the ability to make bank installment payments (Khairiyatinnupus 2020). These effects are a result of the implementation of controls in various public places to curb the spread of COVID-19 (Gandhi 2020). An example of an affected SME in Pekanbaru City is Tekad 3 Dara, a food trading business located in close proximity to schools and community institutions. Despite no reported cases of COVID-19 in the area, the anxiety and fear among residents have affected business development (Sari et al. 2021).

Apart from government control measures, there are several other reasons for the decline in SMEs' sales in Riau Province during the pandemic. Notably, low human resource competency, a lack of management expertise among SME business owners, the underutilization of available technology, and a failure to innovate and develop effective business strategies have played a role. Many SMEs in Riau are seeking additional capital to survive, but without the ability to create precise business strategies, these efforts may be in vain. Moreover, while technology can improve SMEs' business performance, these SMEs have not fully leveraged its benefits. Thus, a robust strategy and innovation are now critical for SMEs in Riau to survive following the pandemic (Khairiyatinnupus 2020; Savitri et al. 2020).

In general, SMEs grapple with fundamental challenges related to improving performance and ensuring survival. For instance, SMEs encounter difficulties associated with informal strategic orientation, internal capacity limitations, and access to finance (Eggers 2020; Luederitz et al. 2021). Moreover, SMEs face obstacles when it comes to swiftly adapting to the demands of strategic change (Kearney et al. 2019), implementing formal technology investment strategies, or accessing specialized resources (Maiti et al. 2020). These factors collectively elevate the risk of business failure. On the other hand, a recent study by Baral et al. (2022) indicates that digitalization, flexibility, a culture of risk management, and collaboration are significant contributors to the success of SMEs. Meanwhile, Rahman et al. (2022) found that the viability of SMEs hinges on their capabilities in areas such as business responsiveness, managing employee satisfaction, enhancing marketing operational productivity, utilizing innovation capabilities, and rethinking the customer experience. Overall, it is evident that a crucial aspect of SMEs' ability to thrive post the COVID-19 epidemic is their capacity for innovation.

Studies have also highlighted the impact of financial technology (FinTech) on SMEs' performance. Prior research by Ayob et al. (2016), Karim et al. (2022), and Abbasi et al. (2020), which studied SME owners across Indonesia, Malaysia, the Philippines, Singapore, and Thailand, found that the adoption of FinTech is a key determinant of SMEs' successful survival and competitiveness. Specifically, Abbasi et al.'s (2020) examination of 1,617 SMEs from 22 OECD countries during the 2011 to 2018 period revealed that FinTech is positively correlated with SMEs' efficiency. One notable convenience provided by FinTech is in terms of conducting transactions online via the internet. Notable examples of popular FinTech services include payment gateways like Doku, Sakuku BCA, T-Cash, Dana, Go-Pay, and OVO. Therefore, implementing FinTech is expected to enhance the performance of SMEs.

However, some evidence suggests that the effect of mobile money services on SME performance in Indonesia is not consistent. While Lestari et al. (2020) and Masocha (2018) empirically proved that payment gateways and mobile money services can influence SMEs' performance, Lontchi et al. (2023) discovered that FinTech crowdfunding facilities do not significantly affect SMEs' performance. Therefore, it is essential for current studies to explore whether FinTech influences Indonesian SMEs' business performance in the post-pandemic era.

Given the ongoing concerns about SMEs' performance in the wake of the COVID-19 pandemic, this research aimed to analyze the effects of FinTech, innovation, business strategy, and market orientation on the performance

of SMEs in Pekanbaru City, Riau, Indonesia. The findings contribute to the integration of FinTech with innovation and business strategy in SMEs. Marketing SME products through technological applications capable of reaching diverse regions and market segments holds significant promise for SMEs.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

DYNAMIC CAPABILITIES THEORY

According to the dynamic capabilities theory, a higher level of capability is defined as an organization's capacity to effectively integrate, generate, and reorganize both its internal and external resources, while also demonstrating its adaptability in responding to a constantly evolving environment (Teece 2007; Xiao et al. 2020). This theory is a natural extension of the resource-based view of the firm, highlighting a company's prowess in constructing, expanding, and reshaping its internal and external capabilities (i.e., dynamic capabilities) in the face of rapid environmental changes (Teece 2017). Consequently, this theory aligns seamlessly with research exploring how firms develop new capabilities by assimilating, generating, and realigning their internal and external resources and capabilities in response to the ever-changing business landscape.

FINTECH AND BUSINESS PERFORMANCE

The rapid advancement of technology within the financial sector has spurred the emergence of numerous start-up companies specializing in FinTech. FinTech encompasses digital financial services that provide payment system solutions, loans, banking, insurance, and educational resources to the public through digital platforms (Aaron et al. 2017). Indonesia, for instance, is witnessing the development of various FinTech services, including payment channels or systems, digital banking, crowdfunding, online insurance, and peer-to-peer lending (Siregar 2016).

Small businesses increasingly harness technology to enhance their performance, resulting in heightened user satisfaction with improved outcomes and greater convenience. SMEs rely on banking services such as ATMs, internet banking, and mobile banking to streamline transaction activities for their clientele (Rehman & Anwar 2019). Additionally, they employ FinTech services for bill payments, credit transactions, and online payroll processing for their employees. Leveraging these cutting-edge technologies provides small business owners with convenience in money transfers and receipts. FinTech technology also offers supporting assets and other complements that facilitate the exploration of new opportunities within the SME business landscape.

SMEs can effectively retain their customer base through online transactions, which subsequently translates into increased sales and enhanced performance (Kaleemullah et al. 2021). Higher business performance thus stands out as one of the key motivators for SMEs to adopt FinTech solutions (Boonsiritomachai & Pitchayadejanant 2019). In other words, delivering FinTech services to SMEs adds significant value to these businesses, aligning with the principles of dynamic capabilities. By seamlessly integrating existing these services into ongoing business processes, SMEs can extract more value from their customers (Wang & Ahmed 2007).

Research by Lestari et al. (2020) underscores the impact of payment gateways on the financial performance of SMEs, while Masocha and Dzomonda (2018) have also identified the influence of mobile money services on SME performance. Considering these insights, it is reasonable to anticipate a positive impact of FinTech on SME performance. Consequently, this study posits the following:

H_1 FinTech increases the business performance of SMEs.

INNOVATION AND BUSINESS PERFORMANCE

Navigating the competitive landscape of today's business world necessitates the ability to innovate, particularly in identifying products and services that confer competitive advantages (Donkor et al. 2018). By harnessing the power of innovation, businesses aim to thrive in the fiercely competitive market environment. Innovation assumes a pivotal role in SMEs' contemporary business development, stemming from the capacity of both the business owner and the employees (Latifah et al. 2021) to meld their ideas and concepts towards the creation of new products and methods. This innovative capability represents an intangible asset within SMEs, ultimately bolstering their competitive edge.

Managing innovation in a business context does not exclusively involve introducing the latest products or services; rather, it includes the enhancement and development of existing offerings as well. Innovation also encompasses new ideas in addition to new products and services (Sumarsono 2010; Latifah et al. 2021). Fundamentally, business innovation entails the capacity to apply inventive approaches to challenges and opportunities, thereby enhancing the performance of SMEs.

Research by Issau et al. (2021) indicates that SMEs capable of enhancing their innovation performance are positioned for success in the competitive arena. Likewise, Bahta et al. (2021) demonstrated the positive effects of

innovative capabilities on the performance of 402 SMEs in Eritrea. Sukamto et al. (2017) further provided empirical support on product innovation's positive influence on business performance in Demak Regency. It has also been established that innovation is a key determinant of manufacturing SMEs' performance in Malaysia (Mokbel et al. 2022), while findings from Portugal affirm that the ability to innovate shapes the success of SMEs (Ferreira & Coelho 2020). Leveraging innovation, SMEs can not only maintain but also expand their market share, thereby boosting their performance. In light of the evidence above, it is reasonable to predict that innovation has a favorable impact on the performance of SMEs. This relationship is hypothesized in this study as follows:

H_2 Innovation increases the business performance of SMEs.

BUSINESS STRATEGY AND BUSINESS PERFORMANCE

Porter (2008) asserts that sustaining a lasting competitive edge demands ongoing efforts in generating innovative ideas, designs, and strategies. In this regard, business strategy, which centers on competition within an industry or a specific product-market segment, serves as a source of diversity in firm strategies. It encompasses a company's approach to comprehending and responding to its environment while positioning itself in the market to achieve exceptional performance (Porter 2008). An effective business strategy provides firms a roadmap to navigate existing rivalries and flexibly adapt to market fluctuations to attain a competitive advantage.

The unique nature of each business's chosen business strategy underscores its paramount importance in forging a competitive advantage. Three primary forms of strategy can be adopted by businesses: cost leadership, market differentiation, and innovation differentiation (Miller 1983). Cost leadership places a greater emphasis on efficiency and cost management maintaining product quality, enabling firms to compete effectively. On the other hand, market differentiation strategies harness digital technologies to promote businesses uniquely, while innovation differentiation strategies involve fostering creativity in product development, embracing new technologies, and prioritizing quality design. Ultimately, successful business strategies, particularly those pertaining to product differentiation, cost efficiency, adaptability, and quality, are pivotal for outpacing competitors.

Implementing business strategies within SMEs entails a reconfiguration of their resource utilization (Ferreira & Coelho 2020). This is because the competitive landscape compels SMEs to distinguish their offerings through unique product innovations and more competitive pricing than their rivals. By employing a robust and appropriate business strategy, SMEs can increase their operational efficiency and attain a competitive edge, thus bolstering their performance (Ali et al. 2016). Indeed, evidence from Sentra Malang Regency highlights the influence of business strategy on SME performance (Mustikowati & Tysari 2014). Given this discussion, the following prediction can be made:

H_3 Business strategy increases the business performance of SMEs.

MARKET ORIENTATION AND BUSINESS PERFORMANCE

In today's competitive landscape with constantly shifting customer expectations, maintaining close proximity to the market is crucial for meeting customer requirements. Market orientation can be defined as a company's approach to improving performance and the behaviors necessary for this approach. Superior performance can be achieved by fostering a market-oriented culture, which entails understanding the market's needs, desires, and demands (D'souza et al. 2022). Human capital, encompassing knowledge and individual skills essential for delivering professional services, plays a pivotal role in supporting market orientation. The impact of market orientation on business performance is evident in the sustained satisfaction of consumers who repeatedly make purchases without complaints (Rashid et al. 2020).

SMEs are particularly attuned to providing exceptional service and actively soliciting feedback from consumers to boost their sales and operating profits. These firms diligently monitor their competitors' product developments and marketing strategies, leveraging this information to enhance their own products and expand their market share. SMEs also engage their employees in planning and decision-making processes, fostering collaboration to respond effectively to customer needs and complaints, including involvement from company leaders.

Given the heightened competition among SMEs, it has become imperative for every company to adopt a robust market orientation to enhance performance (Savitri & Syahza 2019). Research conducted by D'souza et al. (2022) revealed the positive impact of market orientation on the performance of 309 SMEs in Indonesia. Similarly, Hamel and Wijaya (2020) provided empirical evidence of the influence of market orientation on business performance. In light of this discussion, the final hypothesis can be stated as follows:

H_4 Market orientation increases the business performance of SMEs.

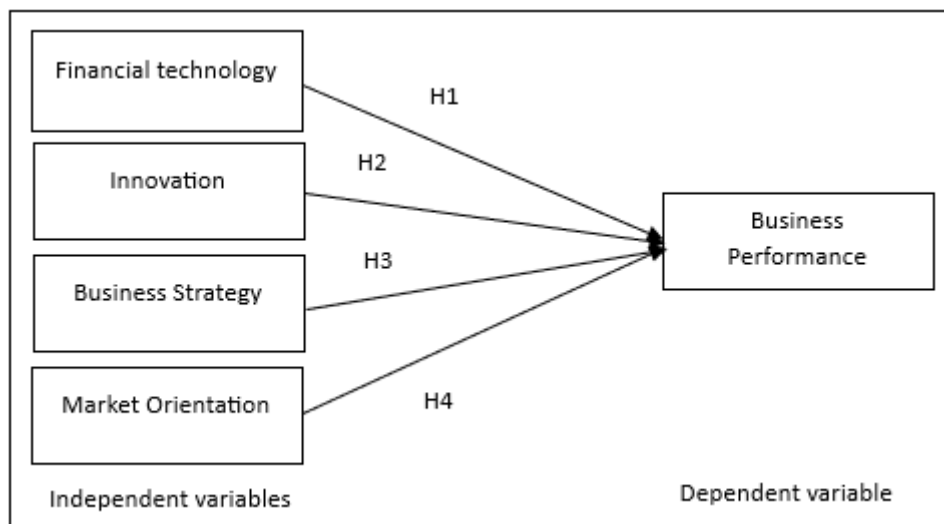Figure 1 presents the research framework and corresponding hypotheses.

FIGURE 1. Research framework

METHODOLOGY

SAMPLING AND DATA COLLECTION

The research population comprised all SMEs located in Riau Province, Indonesia. A significant portion of the nation's businesses falls under the classification of SMEs. Specifically, the province of Riau is home to 277,980 SMEs, categorized as follows: 186,818 micro enterprises; 87,449 small enterprises; and 3,713 medium enterprises. These enterprises exhibit an estimated annual growth rate ranging from 5 to 10 percent (Caska 2022).

Purposive sampling was employed to select samples from the SME population of Riau. Eligible SMEs had to fulfill four criteria: (i) possess assets within the range of Rp. 50 million to Rp. 10 billion; (ii) maintain an annual turnover not exceeding Rp. 50 billion; (iii) employ between four and 250 personnel; and (iv) actively utilize FinTech services such as OVO, DANA, GOPAY, ShopeePay, Akulaku, Kredivo, and other similar platforms. Information regarding the usage of FinTech services was sourced from the Indonesian Cooperative and SME Service. To determine the required sample size in this study, the Slovin formula was utilized, as shown below:

$$\frac{N}{1 + (Ne^2)}$$

$$n = \frac{104.698}{1 + (104.698 \times 9\%^2)}$$

$$= 123$$

Based on the Slovin algorithm calculation, a total of 123 SMEs located in Riau Province were selected as the samples for this study. Data collection was facilitated through the distribution of questionnaires to owner-managers of the SMEs, who served as the representatives of their respective firm. Each owner-manager received a questionnaire designed to assess their attitudes, opinions, and perceptions regarding the research variables. All items were rated on a five-point Likert scale ranging from strongly disagree (1) to strongly agree (5). Data analysis was performed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The PLS-SEM approach serves as a valuable tool for researchers in testing hypotheses and elucidating the existence of connections between latent variables. This technique enables the characterization of latent variables that are not directly measurable and are assessed through indicators, in accordance with the framework outlined by Ghozali (2016).

MEASUREMENT OF VARIABLES

The operational definitions and measures of each research variable are as follows:

Definition	Measurements
Business Performance: The level of achievement attained by a company in carrying out a program or policy in order to achieve business goals described in strategic planning (Widyastuti & Firmansyah 2018).	Market and marketing growth, capital expansion, profit growth, sales growth, and new workforce each year (Minuzu & Musran 2010).
FinTech: The use of digital technology to solve issues with financial intermediation (Aaron et al. 2017).	FinTech increasing sales or business turnover, FinTech making transactions easier, FinTech increasing the number of customers, and FinTech being an easy-to-use application (Billion 2016).
Innovation: The manifestation or implementation of a new or improved product/service/process, substantially changed or new marketing techniques, or new business practice techniques in an organization's workplace or external relations (Sumarsono 2010).	Innovation is measured by four indicators, which are product, process, organization, and marketing (Sumarsono 2010).
Business Strategy: A plan implemented at the divisional level to develop and enhance a company's ability to compete in a certain market or industry with its goods and services (Porter 2008).	Cost leadership, differentiation, and focus (Porter 2008).
Market orientation: The best and most practical organizational culture to create behaviors that can be the best for customers and produce good performance for the company (Narver & Slater 1990).	Inter-function coordination, competitor orientation, and customer orientation (Narver & Slater 1990).

RESULTS

DEMOGRAPHIC PROFILE OF RESPONDENTS

This study collected a total of 123 valid responses; the characteristics of the research respondents are summarized in Table 1. Among the respondents, 75 individuals (60.98%) identified as female, while the remaining 48 individuals (39.02%) identified as male. The education level attained by most of the respondents was high school/Islamic high school or vocational high school/Islamic vocational high school, with 97 individuals (78.86%). This was followed by respondents with diploma/bachelor's/master's/doctorate education levels, comprising 20 individuals (16.26%), and respondents with elementary school/Islamic elementary school or middle school/Islamic middle school education levels, totaling six individuals (4.88%). All 123 respondents (100%) held the position of business owner. Regarding the nature of their businesses, 83 respondents were engaged in culinary businesses, 26 in service-related businesses, 11 in fashion businesses, and three in furniture businesses.

TABLE 1. Demographic profile of respondents

Variable	Category	Frequency	Percentage
Gender	Male	48	39.02%
	Female	75	60.98%
Level of Education	Elementary School/Islamic Elementary School or Middle School/Islamic Middle School	6	4.88%
	High School/Islamic High School or Vocational High School /Islamic Vocational High School	97	78.86%
	Diploma/Bachelor's/Master's/Doctorate	20	16.26%
Position	Owner	123	100.00%
Type of Business	Culinary	83	67.48%
	Services	26	21.14%
	Fashion	11	8.94%
	Furniture	3	2.44%

DESCRIPTIVE STATISTICS RESULTS

From the descriptive statistics shown in Table 2, it can be observed that the data was well distributed, as the average values exceeded the standard deviations for all research variables. The respondents generally rated the variables favorably, with the highest mean values seen for innovation and market orientation in SMEs.

TABLE 2. Descriptive statistics of research variables

Variable	Min	Max	Mean	Standard Deviation
FinTech	1.12	5.00	3.43	1.09
Innovation	1.34	5.00	3.79	0.83
Market Orientation	2.13	5.00	3.78	0.81
Business Performance	1.75	5.00	3.71	0.83

MEASUREMENT MODEL RESULTS

The two-stage PLS-SEM procedure involves the measurement model assessment for validity and reliability, followed by the structural model assessment for hypothesis testing. Construct validity consists of two parts: convergent validity and discriminant validity.

CONVERGENT VALIDITY

Convergent validity can be ascertained by examining the factor loadings of each construct's indicators. A commonly applied rule of thumb is that the factor loading should exceed 0.7. As demonstrated in Table 3, all indicator items had loading values surpassing 0.7, implying that all the questionnaire items utilized in this study were valid.

TABLE 3. Factor loadings for measurements

Variable	Indicator	Loading Factor
FinTech	X1.1	0.927
	X1.2	0.917
	X1.3	0.898
	X1.4	0.906
Innovation	X2.1	0.834
	X2.2	0.881
	X2.3	0.830
	X2.4	0.866
	X2.5	0.780
	X2.6	0.758
	X2.7	0.808
	X2.8	0.822
	X2.9	0.849
	X2.10	0.818
Business Strategy	X3.1	0.822
	X3.2	0.798
	X3.3	0.809
	X3.4	0.803
	X3.5	0.724
	X3.6	0.801
	X3.7	0.874
	X3.8	0.842
	X3.9	0.841
	X3.10	0.798
	X3.11	0.842
	X3.12	0.793
Market Orientation	X4.1	0.823
	X4.2	0.757
	X4.3	0.806
	X4.4	0.856
	X4.5	0.799
	X4.6	0.851
	X4.7	0.817
	X4.8	0.813
	X4.9	0.835
	X4.10	0.825
	X4.11	0.773
Business Performance	Y.1	0.811
	Y.2	0.788
	Y.3	0.822
	Y.4	0.809
	Y.5	0.820
	Y.6	0.826
	Y.7	0.834
	Y.8	0.842
	Y.9	0.845
	Y.10	0.835

The average variance extracted (AVE) values and their squared values were obtained through the PLS Algorithm for the valid indicators. As depicted in Table 4, all AVE values exceeded the threshold of 0.5, as required by the established criteria. This result further confirmed the convergent validity of the constructs.

TABLE 4. Results of average variance extracted (AVE)

Variable	AVE
FinTech	0.832
Innovation	0.681

Business Strategy	0.661
Market Orientation	0.664
Business Performance	0.678

DISCRIMINANT VALIDITY

One method for assessing discriminant validity is to compare the cross-loadings for each construct with the correlation between the construct and the other constructs in the model.

TABLE 5. Correlation among latent variables and cross loadings

Item Code	FinTech	Innovation	Business Strategy	Market Orientation	Business Performance
X1.1	0.927	0.117	0.152	0.067	0.292
X1.2	0.917	0.089	0.114	0.120	0.274
X1.3	0.898	0.102	0.136	0.052	0.289
X1.4	0.906	-0.011	0.075	-0.021	0.168
X2.1	0.040	0.834	0.619	0.602	0.552
X2.2	0.019	0.881	0.624	0.594	0.539
X2.3	0.025	0.830	0.602	0.556	0.616
X2.4	-0.006	0.866	0.647	0.601	0.552
X2.5	0.172	0.780	0.586	0.539	0.612
X2.6	0.130	0.758	0.633	0.432	0.590
X2.7	0.112	0.808	0.575	0.642	0.634
X2.8	0.093	0.822	0.645	0.623	0.648
X2.9	0.169	0.849	0.607	0.640	0.667
X2.10	-0.037	0.818	0.635	0.619	0.525
X3.1	0.168	0.619	0.822	0.538	0.655
X3.2	0.148	0.572	0.798	0.359	0.563
X3.3	0.220	0.635	0.809	0.503	0.607
X3.4	0.111	0.519	0.803	0.426	0.552
X3.5	0.154	0.506	0.724	0.388	0.531
X3.6	0.009	0.610	0.801	0.385	0.553
X3.7	0.106	0.608	0.874	0.416	0.572
X3.8	0.094	0.629	0.842	0.440	0.567
X3.9	0.143	0.675	0.841	0.560	0.672
X3.10	0.109	0.604	0.798	0.449	0.532
X3.11	0.020	0.684	0.842	0.506	0.588
X3.12	0.037	0.614	0.793	0.488	0.603
X4.1	0.007	0.532	0.437	0.823	0.516
X4.2	0.060	0.579	0.389	0.757	0.409
X4.3	0.077	0.503	0.368	0.806	0.514
X4.4	0.013	0.595	0.524	0.856	0.540
X4.5	0.156	0.619	0.431	0.799	0.489
X4.6	0.088	0.596	0.470	0.851	0.536
X4.7	0.003	0.533	0.437	0.817	0.518
X4.8	-0.003	0.554	0.443	0.813	0.464
X4.9	0.088	0.618	0.520	0.835	0.569
X4.10	0.020	0.535	0.429	0.825	0.502
X4.11	0.095	0.679	0.559	0.773	0.626
Y.1	0.151	0.537	0.544	0.546	0.811
Y.2	0.248	0.608	0.616	0.590	0.788
Y.3	0.268	0.603	0.613	0.488	0.822
Y.4	0.150	0.567	0.624	0.481	0.809
Y.5	0.291	0.634	0.560	0.536	0.820
Y.6	0.294	0.608	0.589	0.543	0.826
Y.7	0.161	0.648	0.620	0.569	0.834
Y.8	0.237	0.555	0.572	0.474	0.842
Y.9	0.218	0.592	0.645	0.511	0.845
Y.10	0.365	0.603	0.544	0.525	0.835

The cross-loading values of each item on its respective construct surpassed its loading values on other constructs, as illustrated in Table 5. These results affirm that discriminant validity was achieved in this study.

RELIABILITY TEST

Apart from validity, the reliability of the constructs was evaluated using two criteria: composite reliability (CR) and Cronbach's alpha (CA). When the value of a construct's CR or CA exceeds 0.7, it signifies that the construct is reliable.

TABLE 6. Composite Reliability (CR)

Variable	Composite Reliability
FinTech	0.952
Innovation	0.955
Business Strategy	0.959
Market Orientation	0.956
Business Performance	0.955

TABLE 7. Cronbach's Alpha (CA)

Variable	Cronbach's Alpha
FinTech	0.934
Innovation	0.948
Business Strategy	0.953
Market Orientation	0.949
Business Performance	0.947

Table 6 presents the CR results, while Table 7 reports the CA results. Both tables indicate values exceeding 0.93, underscoring the high reliability of the data obtained from each instrument. Overall, the measurement model results concur that the research model adhered to the criteria for convergent validity, discriminant validity, and internal reliability. Subsequently, the structural model analysis was conducted, including the path coefficient and R2 test.

STRUCTURAL MODEL RESULTS

The structural or inner model delineates the relationships between latent variables. R-square was employed to quantify the explanatory power of the independent latent variables on the dependent latent variable, with a higher value indicating a greater power (Ghozali 2014). In this study, the R-square value for business performance was 0.663, while the corrected R-square value was 0.645. Therefore, 64.5 percent of the variance in business performance was explained by the independent variables in the model (i.e., FinTech, innovation, business strategy, and market orientation), indicating the model's robust explanatory power.

TABLE 8. Q-square results

Variable	SSO	SSE	Q² (=1-SSE/SSO)
FinTech	324.000	324.000	
Innovation	810.000	810.000	
Business Strategy	972.000	972.000	
Market Orientation	891.000	891.000	
Business Performance	810.000	479.126	0.408

Next, the Stone-Geisser Q-square was used to determine the predictive relevance of the structural model, as shown in Table 8. Akin to the total coefficient of determination, Q-square evaluates how effectively the estimated parameters align with the observed values within the model. It can assume values ranging from zero to one, with a higher value signifying a more relevant model. A Q-square value exceeding zero generally indicates predictive relevance. The computed Q-Square value in this study was 0.408. Since it is greater than zero, it was concluded that the model possessed high relevance for making predictions.

Following the PLS-SEM procedure, the bootstrapping method was employed to simulate each hypothesized relationship. This analysis was undertaken to mitigate the potential for study anomalies. Figure 2 presents the results of the structural model assessment conducted using PLS-SEM's bootstrapping technique.
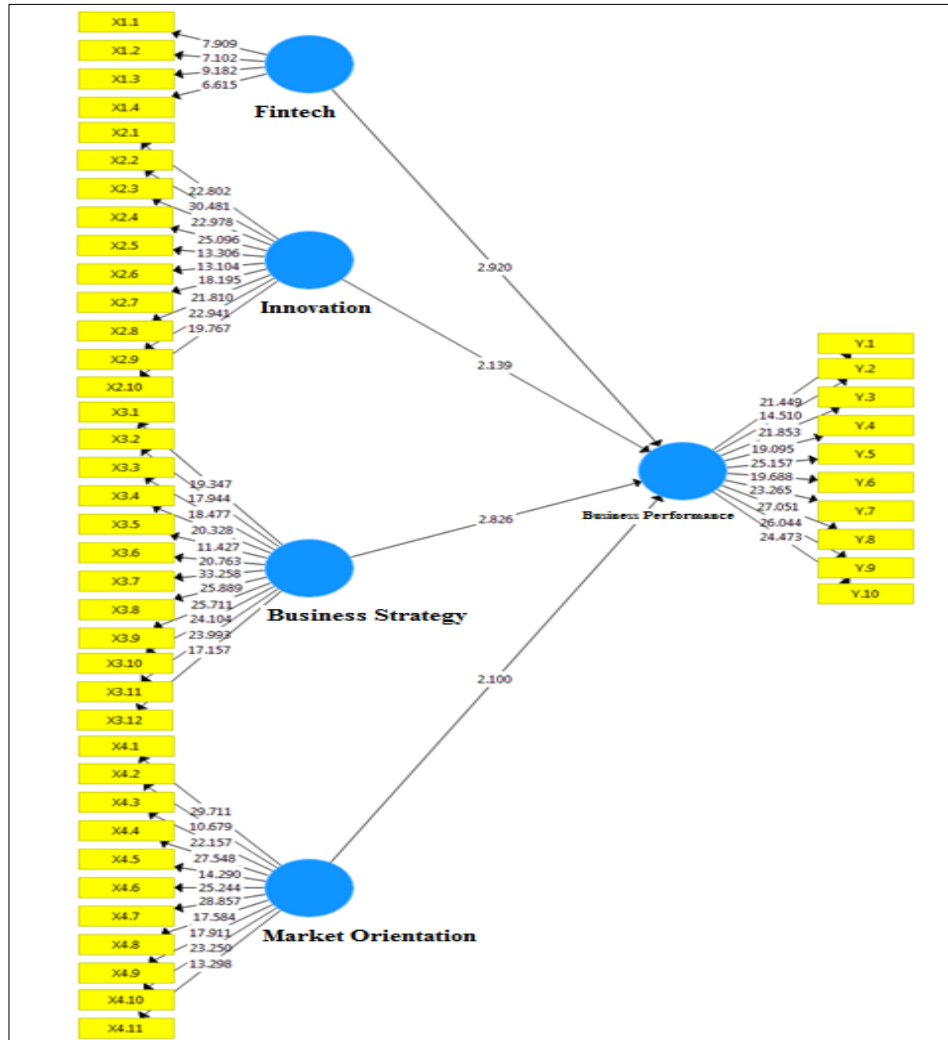
FIGURE 2. Bootstrapping results

Table 9 displays the hypothesis testing results, revealing the direct effects between the variables. The presence of a significant direct effect was determined by a t-statistic value exceeding 1.96, whereas a value below 1.96 indicates no significant effect. Specifically, as per the findings in Table 9, FinTech (t-value = 2.920), innovation (t-value = 2.139), business strategy (t-value = 2.826), and market orientation (t-value = 2.100) had t-values above 1.96, indicating their significant positive influence on business performance.

TABLE 9. Hypothesis testing results

Relations between variables	Original Sample (O)	Sample Mean (M)	Stan. Dev.	t-stat	p-values
H_1 FinTech → Business Performance	0.201	0.203	0.069	2.920	0.004
H_2 Innovation → Business Performance	0.276	0.268	0.129	2.139	0.033
H_3 Business Strategy → Business Performance	0.357	0.366	0.126	2.826	0.005
H_4 Market Orientation → Business Performance	0.229	0.225	0.109	2.100	0.036

Therefore, it is evident that all independent variables (i.e., FinTech, innovation, business strategy, and market orientation) demonstrated positive and significant impacts on the business performance of SMEs. Consequently, all four research hypotheses (i.e., H_1, H_2, H_3, and H_4) were substantiated and accepted.

DISCUSSION

First, this study underscores the positive impact of FinTech on the business performance of Indonesian SMEs. FinTech facilitates sales growth, streamlines transactions, expands customer bases, and offers user-friendly accessibility. It represents an innovation in the financial services sector that empowers businesses of all sizes to enhance their performance. Notably, payment gateways, particularly in buyer transactions, exert a positive influence on businesses. SMEs in Riau utilizing payment gateway services are well-positioned to attract buyers

with transaction ease, ultimately boosting sales and, in turn, enhancing overall business performance. FinTech services also simplify the process of obtaining online credit loans, allowing business actors to secure capital more conveniently for business development (Yahaya et al. 2018). The positive effects of payment gateways on SME performance are consistent with the findings of Lestari et al. (2020). Additionally, peer-to-peer lending demonstrates an impact on the business performance of SMEs in Riau, aligning with the observations of Masocha and Dzomonda (2018). However, it is worth noting that Lontchi et al. (2023) did not support this particular finding.

Second, innovation has been identified as a key driver of enhanced business performance among SMEs. It represents a distinctive competency among SME business actors who continually innovate their products and stay up to date (Ismail 2018). This study reveals that higher levels of innovation in SMEs in Riau correspond to improved business performance and vice versa. SMEs in this province exhibit a proclivity for innovation, particularly in the creation of new products and their promotion via print and social media platforms. Engaging in product innovation and innovative product marketing through social media yields significant benefits for them, creating opportunities and drawing consumer attention to their products. These findings resonate with prior research demonstrating the impact of product innovation on SME performance in cities such as Semarang (Kalil & Aenurohman 2020) and Makassar (Wulandary 2018). It is noteworthy, however, that Huda et al. (2020) did not report similar results in their study.

Third, this study further highlights the influence of business strategy on the business performance of SMEs. The adoption of the right business strategy can yield a competitive advantage, ultimately enhancing the business performance of SMEs. In Riau, SMEs commonly employ various business strategies, including the introduction of new and distinct products compared to their competitors, as well as maintaining cost efficiency below that of competitors. These strategies encompass both differentiation and cost leadership approaches, contributing to enhanced business performance among SMEs in Riau. Indeed, the effectiveness of a business can be gauged by its ability to formulate and adapt its business strategy to the evolving business environment, seize emerging opportunities, and thereby create a competitive advantage that elevates business performance. In today's rapidly changing business landscape, it is imperative for all SME business actors to articulate their diverse ideas in developing business strategies aimed at cultivating strong business performance (Mansor 2022). This finding aligns with the results reported by Mustikowati and Tysari (2014) but contradicts the findings of Rahayu et al. (2019).

Lastly, it is found that market orientation exerts an influence on the business performance of Riau SMEs, particularly through customer orientation. Satisfied customers tend to engage in repeat purchases and refrain from making complaints. Concurrently, competitor orientation entails vigilant monitoring of competitors' product developments and marketing strategies, enabling SMEs to take constructive measures to enhance the quality of their products, expand market share, and improve overall marketing efforts. Inter-functional coordination significantly impacts business performance as SMEs actively engage their employees in planning and decision-making processes, fostering cross-functional collaboration to effectively address customer needs and concerns. Company leaders play a crucial role in the technical implementation of these efforts, ultimately contributing to improved business performance. Market orientation also facilitates the accumulation of market-based assets that pave the way for successful performance (D'souza et al. 2022). Nevertheless, Herlambang and Mawardi (2017) did not find evidence supporting the influence of market orientation on business performance. While market orientation is undeniably important, SME owners in Riau must also continue to innovate to ensure their products remain competitive in the market.

THEORETICAL AND MANAGERIAL IMPLICATIONS

Entrepreneurs are compelled to foster innovation to increase added value and product quality. For SMEs, a well-crafted business strategy should encompass the streamlining of administrative procedures, logistics and distribution support, engagement with business associations, initiatives aimed at reshaping company strategies, and a steadfast commitment to adhering to health guidelines. While establishing and nurturing a small business, it is crucial to identify opportunities and risks within the business environment. The Indonesian government has instituted several measures, including infrastructure support, product showcases, training initiatives, facilitation of SME product promotion, and the provision of technical guidance to bolster SME human resources. SMEs in Riau and other regions can therefore harness digital technologies to construct a modern business model based on the canvas business model framework.

CONCLUSION

The COVID-19 pandemic has adversely affected the sustainability of SMEs in Indonesia, mirroring the challenges faced by many other countries. Nonetheless, SMEs possess the potential to contribute significantly to regional and national economic growth. The Indonesian government has therefore introduced a range of measures to aid

SMEs, including infrastructure support, product showcases, training programs, product promotion assistance, and technical guidance to enhance SMEs' human resources.

The objective of this study was to analyze the impact of FinTech, innovation, business strategy, and market orientation on the business performance of Riau SMEs in the post-pandemic era. Based on the findings of PLS-SEM, this study posits that FinTech has a tangible impact on SME performance, as the convenience of transactions facilitated by payment gateways and peer-to-peer lending can substantially improve business outcomes. Innovation also serves as a driving force behind their performance, calling for SME entrepreneurs to prioritize innovation to enhance added value and product quality. A consistent commitment to innovation enables SMEs to secure a competitive advantage and elevate their business performance.

Additionally, effective business strategies play a crucial role in boosting SME performance by expanding market reach and optimizing operational efficiency. Thus, SMEs should formulate comprehensive business strategies that encompass administrative process optimization, logistical and distribution support, engagement with business associations, initiatives aimed at catalyzing changes in company strategies, and rigorous adherence to health guidelines. Identifying opportunities and risks within the business environment is also of paramount importance during the establishment and growth of a business. Finally, SMEs with a market-oriented approach tend to perform better, as they provide market information that adds value to consumers. Market-oriented companies have the capacity to develop market-based assets that pave the way for successful performance.

Overall, this study concludes that the integration of innovative technologies, FinTech solutions, sound business strategies, and market orientation can collectively empower SMEs in Indonesia to enhance their business performance. For instance, SMEs can harness innovative digital and financial technologies to construct market-oriented modern business strategies based on the canvas business model framework.

However, it is important to note that this study, like many others, has certain limitations. The generalization of the present findings may be restricted by the study's exclusive data collection in Riau Province. Future research should aim to cover all provinces in Indonesia for a more comprehensive perspective. Additionally, the study primarily focused on financial indicators for assessing business performance. Future research should incorporate non-financial dimensions, such as product quality and customer satisfaction, to provide a more holistic evaluation of SME performance.

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