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## THE UTILIZATION OF DIGITAL TECHNOLOGY IN IMPROVING SMES PERFORMANCE IN THE NEW NORMAL ERA

**Abstract:** The Covid-19 pandemic has been a global disaster. Because many countries choose lockdown policies, this pandemic causes job losses and increases poverty rates. The impact of COVID-19 is becoming more apparent in Indonesia, particularly in the MSME sector, which has long been the backbone of the economy. As a result of the economic downturn, several countries, including Indonesia, are gradually implementing the "new normal" in order to boost the economy's wheels. It is hoped that the new normal policy will re-energize the business sector, particularly micro, small, and medium enterprises (SMEs). By considering the social dynamics towards the new normal following the COVID19 pandemic, SMEs need to strengthen their business. This requires a strategy so that SMEs can survive and improve performance in the new normal era.

The purpose of this research is to analyze the advantages of digital technology and innovation in improving MSME performance in the New Normal Era. The research focuses on SMEs in Pelalawan Regency. The population is 13,824 SMEs registered at the Department of Cooperatives and SMEs in Pelalawan Regency. The data used is primary data, in which respondents are given a written questionnaire/question. The data were analyzed using multiple linear regression. The results of testing on 50 questionnaires show that all instruments used in this research are valid and reliable. The results of testing the research hypothesis show that digital technology has a positive and significant effect on the performance of SMEs. The use of digital technology, such as online media, will make it easier for SMEs to market their products, expanding the reach of product marketing, particularly during this New Normal period. Meanwhile, the results of innovation testing show that innovation has no effect on SMEs' performance. This shows that during the New Normal period, SMEs did not innovate much due to the limitation, a lack of capital and lack of knowledge of resources to implement this innovation.

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**Key words:** digital technology, innovation, performance, new normal

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### Introduction

#### Background

The coronavirus pandemic (Covid-19) has been a global disaster. This pandemic has made millions of people unemployed and poverty rates have risen since many countries have implemented lockdown policies. The impact of Covid-19 is becoming more apparent in Indonesia, particularly in the MSME sector which has been the backbone of the economy. In order to boost the economy's wheels, a number of countries, including Indonesia, are gradually implementing the "new normal".

In the new normal era, SMEs can use a number of strategies, including digital technology, to overcome difficulties. Digital technology enables SMEs to conduct online transactions. In 2020, data from the Ministry of Communications and Information (Kominfo) shows that 9.4 million SMEs have joined and benefited from the use of digital technologies for cross-border transactions. The online MSME business actors can expand their market not only within Indonesia, but also internationally. Digital technology enables MSME to offer their products in the same way as large company. This is due to the fact that they will be on the same platform, such as an e-commerce marketplace, and will have the same opportunity to promote and sell products (Aprilianti, 2020) [1].

Innovating is another strategy that SMEs can implement. When the new normal era begins, competition will undoubtedly become more difficult due to unstable economic market conditions. Because purchasing power has not returned to normal, the value of assets decreases automatically. In this condition, simply working hard isn't enough; SMEs must innovate as a way to go back to normal. It will be impossible to develop products that can create markets and make breakthroughs that benefit businesses without innovation. Innovation can be in the form of creating quality products at low cost, or creating a simple but effective marketing or sales strategy. Innovation extends beyond business strategy included the physical form of the product itself. (Jurnal Entrepreneur, June 12<sup>th</sup> 2020). [2].

The purpose of this research is to analyze SMEs actors' readiness to use digital technology and its impact on MSME performance in the New Normal Era. This research is a continuation of previous research conducted in the Riau Region on the use of technology and innovation in SMEs in Rohil Regency [3]. In 2021 the research will focus on SMEs in Pelalawan Regency.

### Problem Statement

Based on the background of the problem, the research problem is stated as follows: Does digital technology and innovation affect the performance of SMEs in the new normal era?

### Literature Review

#### Relevant Theory

#### SMEs Performance

Performance is the result of a process that refers to and is measured over a certain period of time based on pre-determined provisions, standards or agreements (Yusniar Lubis, Bambang Hermanto & Emron Edison (2019: 26)[4]. Company performance can be classified into two categories, financial performance and non-financial performance. Financial performance is an analysis performed to determine the extent to which the company has implemented financial rules properly and correctly. (Fahmi, 2012:2) [5]. Non-financial performance is a performance that shows the growth of a company. Companies can find out the level of success of their companies by using non-financial performance analysis (Supit dkk, 2014)[6]. Non-financial performance is measured by the level of employee growth, social responsibility, organizational learning ability, and the potential for growth. (Cho dan Lee, 2018)[7].

### Digital Technology

Digital technology is a technology that operates with the computerized system automatically. Digital technology is now widely used in everyday life. With the advancement of technology and information that is increasingly accessible via laptops, smartphones, and other electronic devices, many people discover the online transaction process to be more convenient and appealing. Nowadays, many tools may be utilized to help a business in marketing, such as Whatsapp, Facebook, Google, Instagram, and other tools that help reach a large number of people through a single platform. The use of technology simplifies a company's operational processes by providing various benefits, including operational cost reductions, increased productivity, and a reduction in overall strain. This allows for a more efficient and effective division of time and work. Technology can be used for a variety of purposes, such as financial management, labor division, product marketing, and so on (Nugraha, 2020). [8].

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### Innovation

Innovation is development of new products and services that are valuable to customers and are supported by a sustainable and profitable business model (Prayogo, 2020). [9]. An innovative person will always strive to improve, to present something new/unique that is different from the existent. Innovativeness becomes the distinctive characteristics between entrepreneurs and ordinary

people, as well as businessmen (dosenpendidikan.co.id, December 9<sup>th</sup>2020) [10].

### Previous Research

The results of a review of previous research on the use of technology and innovation are shown in Table 1. Table 1 shows how the implementation of digital technology and innovation improves SMEs' performance.

**Tabel 1. Summary of Previous Research**

Author	Research Title	Result	Journal Name	Reference
Cuevas et al. (2016)	The effects of ICTs as innovation facilitators for a greater business performance. Evidence from Mexico	Innovation and information technology have an influence on business performance.	Procedia Computer Science 91	[11]
Mamun dan Fazal (2017)	Effect of Entrepreneurial Orientation on Competency and micro-entrepreneur performance	Innovative has effect on company performance.	A Asia Pacific Journal and Entrepreneurship, Vol. 12 Issue:3, pp.379-390	[12]
Cho dan Lee (2018)	Entrepreneurial Orientation, Entrepreneurial Education and Performance, <i>Asia Pacific Journal and Entrepreneurship</i>	Innovative has effect on performance.	Asia Pacific Journal and Entrepreneurship, Vol. 12 Issue:3, pp.124-134	[7]
Rezaei dan Ort (2018)	Entrepreneurial orientation and firm performance: the mediating role of functional performances	Innovative has positive effect on R & D performance	Journal of Management Research Review, Vol.41 Issue: 7, pp.878-900	[13]
Tanjung, et al (2019)	Analysis of Entrepreneurial Orientation and Education Level of the SMEs Actors in Improving SMEs Performance in Bengkalis Regency	Innovative has effect on MSME performance	Research Journal of Finance and Accounting, Vol.10, No.13	[14]
Mudiantono, Alif Khaidir Ali Fahmi (2019)	Analisis Pengaruh Jaringan, TIK, Serta Inovasi Terhadap Keunggulan Bersaing dan Kinerja usaha (Studi Pada UMKM di Purwokerto),	Information and communication technology and innovation affect the MSME performance.	Diponegoro Of Journal Management, Vol 8 No 4	[15]
Susdiani, Laela, 2020	Analisis Pengaruh Inovasi Terhadap Kinerja Umkm Pada Industri Kreatif Di Kota Padang	Organizational innovation affects financial performance, consumers, internal business processes & growth,	Procuratio: Jurnal Ilmiah manajemen, Vol 8, No. 4	[16]

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Endang Siti Astuti, Brillyanes Sanawiri, Mohammad Iqbal, 2020	Attributes Of Innovation, Digital Technology And Their Impact On Sme Performance In Indonesia	Digital technology for innovation adoption affects MSME performance	International Journal of Entrepreneurship Volume 24, Issue 1, 2020	[17]
<ul style="list-style-type: none"> <li>M. F. Mubarak, F. A. Shaikh</li> <li>M. Mubarik</li> <li>K. A. Samo &amp;</li> <li>S. Mastoi</li> </ul>	The Impact of Digital Transformation on Business Performance: A Study of Pakistani SMEs	Big data, cyber physical systems, and interoperability have a positive effect on performance	Engineering, Technology & Applied Science Research, 1. <a href="#">Vol. 9 No. 6 (2019)</a>	[18]

**Framework and Research Hypothesis  
Digital Technology and SMEs Performance**

Data from the Ministry of Cooperatives and SMEs shows that there are at least 163,713 SMEs affected by Covid-19. On the other hand, the role of SMEs in the global economy is very strategic, more than half of the world's gross domestic product (GDP) is a contribution from MSME actors and 7 out of 10 available jobs are in the MSME sector. In the era of the digital economy, it is necessary for traditional SMEs to transform into digital. The digital economy is expected to be able to restore the performance of SMEs in the new normal eraby utilizing digital technology(Sugiarto, 2020) [19].

Several research results show that digital technology affects the performance of MSME, such as Cuevas et al. (2016) [11], Mudiantono dkk (2019) [15], and Astuti dkk (2020) [17] prove that technology has an effect on the performance of SMEs. Based on this research, a hypothesis is formulated:

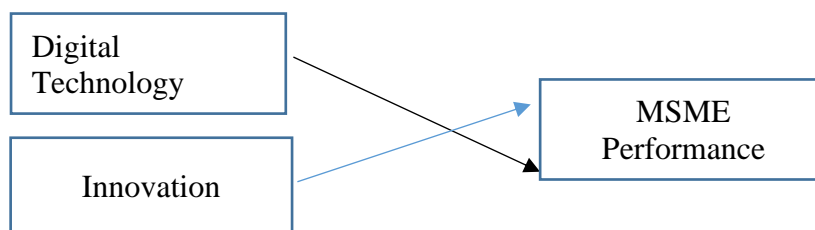
**H1: Digital Technology Affects the Performance of SMEs in Pelalawan Regency in the New Normal Era**

**Innovation and MSME Performance**

Innovativeness refers to an entrepreneurial orientation of being creatively involved in the process of experimenting with new ideas that allow for the development of new production methods in order to create new products or services for both current and new markets. Research of Mamun and Fazal (2017) [12], Rezaei and Ortt (2018) [13], Cho and Lee (2018) [7] also Tanjung et al (2019) [14] prove that innovation affects the MSME performance. Based on this explanation, the hypothesis is:

**H2: Innovation Affects the Performance of SMEs in Pelalawan Regency in the New Normal Era**

Based on the explanation above, the research model is made as follows:



**Figure 1. Research Model**

**Research Method**

**Research Site and Time**

The research site is in Pelalawan Regency and conducted in 2021.

**Research population and sample**

The population is 13,824 SMEs registered at the Department of Cooperatives and SMEs in Pelalawan Regency. The sample criteria used were purposive sampling with the following criteria:

- SMEs registered with the Department of Cooperatives and SMEs in Pelalawan Regency.
- Age of MSME > 3 years
- Using sales technology applications like WA, Facebook, Instagram, etc.

The number of samples obtained and processed were 50 samples.

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### Data Type and Source

This research uses primary and secondary data. Sources of research data obtained through filling out questionnaires and interview results.

Techniques used to collect primary data include observation, distribution of questionnaires and interviews

### Data Collection Technique

### Operational Definition and Variable Measurement

**Table 2. Operational Definition and Variable Measurement**

No.	Variable	Definition	Measurement
1	SMEs Performance	An optimal result of an individual, group or business' work performance.	The indicators are: 1. Revenue/sales growth 2. Loyalty 3. Competitiveness, 4. Stability 5. Customer satisfaction.
2	Digital Technology	Digital technology is a technology that automatically operates using a computerized system (computer/laptop/hp and others)	The indicators consist of: 1. Hardware Technology used such as computers/laptops, smart phones, internet, etc 2. Software used in technology such as E-commerce (shoppee, open stalls, etc.), Whatsapp, Facebook, Google, Instagram.
3	Innovation	It is defined as the embodiment, combination, or synthesis of original, relevant knowledge, a new product of value, a process, or a service. Innovation involves creative actions or ideas to make some specific and apparent difference in the domain in which the innovation is made (Ofori, et al, 2015) [20]	The indicators used were adopted from the research of Lucas & Farrel, 2000 [21]: 1. Product Line Expansion 2. Imitation Products 3. New Products

### Data Analysis Method

#### Descriptive Statistics

Descriptive statistics are statistics used to analyze data by describing the data that has been collected as it is without intending to make conclusions that apply to the public (Sugiyono, 2017:147) [22].

#### Multiple Regression Analysis

In this research, multiple regression was used to determine the accuracy of the relationship between digital technology and innovation on the performance of SMEs. Acceptance or assessment of the hypothesis is determined  $\alpha < 0.05$ . In order to test the hypothesis, the following equation is used:

$$\text{Performance} = a + b_1.TI + b_2 \text{Inov} + e$$

#### Hypothesis Testing

##### a. Significance Test (t statistical test)

The way to do the t-test is:

1. If  $t \text{ count} > t \text{ table}$  and significance level  $< 0.05$ , then partially the independent

variable has a significant effect on the dependent variable.

2. If  $t \text{ count} < t \text{ table}$  and significance level  $> 0.05$ , then partially the independent variable has no significant effect on the dependent variable.

The results of the t-statistical test will be the basis for making hypotheses in this research.

##### b. Coefficient of Determination

The coefficient of determination (R<sup>2</sup>) essentially measures how far the model's ability to explain the dependent variation. The value of the coefficient of determination is between zero and one. A small value of R<sup>2</sup> means that the ability of the independent variables in explaining the variation of the dependent variable is very limited.

#### Result And Discussion

##### Characteristics of Respondents

This research aims to examine the effect of the utilization of Digital Technology and Innovation on the performance of SMEs in Pelalawan Regency. This

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research used a questionnaire for data collection. The data collection process was conducted from June 2021 to July 2021 which was distributed directly by researchers to each SMEs actor in Pelalawan Regency. The population in this research were 13,824 SMEs in Pelalawan Regency. In order to determine the number of samples, the criteria for SMEs registered at the Department of Cooperatives and SMEs in Pelalawan Regency are used, the business has been

running for > 3 years and uses digital technology applications. Due to the PPKM, researchers are limited in the amount of samples that may gather, hence the total number of samples obtained is 50 SMEs. A total of 50 questionnaires were distributed, with 50 being returned and filled out. The questionnaire has a 100% return rate, enabling the data to be analyzed. The level of questionnaire collection can be seen in table 4.1 below :

**Table 3. Questionnaire Return Rate**

Information	Number of Questionnaires	Percentage (%)
Questionnaire sent	50	100 %
Returned Questionnaire	50	100%
Unreturned questionnaire	0	0 %

Source: Processed Data, 2021

Based on table 3, it can be explained that the researcher distributed 50 questionnaires and the rate of return was 100%. The characteristics examined include gender, age, length of business, last education

and types of SMEs in Pelalawan Regency. The overview of the demographics of the respondents can be seen in table 4.2 as follows:

**Table 4. Demographic of Respondents**

Information	Frequency	Percentage
Sex :		
a. Male	30	60%
b. Female	20	40%
<b>Total</b>	<b>50</b>	<b>100%</b>
Age :		
a. 21-30 years old	7	14%
b. 31-40 years old	20	40%
c. >40 years old	23	46%
<b>Total</b>	<b>50</b>	<b>100%</b>
Last education :		
a. Elementary School		0%
b. Junior High School	7	14%
c. Senior High School	35	70%
d. Bachelor	8	16%
e. Others		0%
<b>Total</b>	<b>50</b>	<b>100%</b>
Length of Business:		
a. 1-2 years old	12	24%
b. 3-5 years old	28	56%
c. >5 years old	10	20%
<b>Total</b>	<b>50</b>	<b>100%</b>
SMEs Type :		
a. Trader	20	40%
b. Industry	18	36%
c. Service	12	24%
<b>Total</b>	<b>50</b>	<b>100%</b>

Source : Processed Data, 2021

Based on the table above, it can be seen that the respondents were dominated by male as many as 30 respondents (60%) while the rest were female as many

as 20 respondents (40%), it shows that men are major MSME actors in Pelalawan Regency. The majority of respondents (46%) are over the age of 40,

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while 14 percent are between the ages of 21 and 30. The education level of most respondents is high school graduates, with 35 respondents (70%), followed by undergraduate graduates as many as 8 respondents (16%). It shows that the majority of respondents have a high school education. The majority length of business is around 3-5 years with a percentage of 56% and 1-2 years with a percentage of 24% and the minimum length of business is around >5 years with a percentage of 20%.

### Result of Descriptive Statistics

Descriptive statistics are intended to analyze data based on the results obtained from respondents' answers to each variable measuring indicator. Descriptive statistics consist of mean, minimum, maximum, and standard deviation. The descriptive analysis of research variables can be seen in the table below :

**Table 5. Descriptive Statistics Result**

Variable	N	Min	Max	Mean	Std. Dev.
SMEs Performance	50	28	60	45,40	8,288
Digital Technology	50	18	40	32,52	5,120
Innovation	50	20	43	32,38	5,424

Source: Output Data of SPSS 25.0

Based on the descriptive statistics table preceding, it can be seen that the MSME Performance variable (Y) has the smallest (minimum) value of 28 with the highest (maximum) value of 60, while the average value (mean) of 45.40 indicates that the average respondents filled out the options agree and strongly agree on the MSME Performance questionnaire. The standard deviation of 8.288 indicates that the data distribution is not too large because the standard deviation is smaller than the average value.

Digital Technology as an independent variable has a minimum value of 18 and a maximum value of 40. The average value (mean) of 32.52 indicates that the average respondent fills out the choices agree and strongly agree on the questionnaire, and the standard deviation of 5,120 indicates that the data distribution is not too large because the standard deviation is smaller than the mean value.

Innovation as an independent variable has a minimum value of 28 and a maximum value of 43. The average value (mean) of 32.38 also shows that the average respondent fills out the agreeable choices on the innovation questionnaire with a standard deviation of 5,424 which means that the data distribution is not too large because the standard deviation value is smaller than the mean value.

### Result of Data Quality Test

#### Result of Data Validity Test

Validity testing shows the precision and accuracy of the questionnaires distributed to respondents. In order to determine the validity of the statement of each variable, then  $r_{count}$  is compared with  $r_{table}$ ,  $r_{table}$  can be calculated by  $df = N - 2$ . The number of respondents in this research is 50, so  $df = 50 - 2 = 48$ ,  $r(0.05;48) = 0.2878$ . If  $r_{count} > r_{table}$  then the statement is valid. The results of the validity test show that all statements for each variable in the

questionnaire are valid. It is proven by the value of Corrected Item-Total Correlation  $> 0.2878$ .

### Result of Data Reliability Test

Reliability testing shows how much an instrument can be trusted and used as a data collection tool. The method used is the Alpha Cronbach method. A research instrument is considered to be reliable if the alpha value  $> 0.60$ . The results of the reliability test show that all variables are used as reliable instruments, this is proven by the performance alpha coefficient value of 0.905, digital technology 0.826 and innovation 0.822.

### Result of Data Normality Test

In this research, data normality testing can be seen from the *normal probability plot*. Decision making in the normality test using the graph analysis is based on (Ghozali,2013):

1. If the data spreads around the diagonal line and follows the diagonal line, then the regression model meets the normality assumption.
2. If the data spreads far from the diagonal and or does not follow the diagonal line, then the regression model does not meet the normality assumption.

Based on the test results, it can be seen that the data spreads around and follows a diagonal line. So, it can be interpreted that the regression model meets the normality assumption.

### Result of Classical Assumption Test

#### Result of Multicollinearity Test

Multicollinearity is a condition in which independent variables in a regression model have a linear connection with one another. One of the method to test for the presence of multicollinearity can be seen in the Variance Inflation Factor (VIF). If the tolerance value  $\geq 0,10$  and if VIF value  $\leq 10$  then there is no multicollinearity symptom.

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Based on the table above, it can be concluded that the regression model for the independent variables proposed is free from multicollinearity. It can be shown from the tolerance value of each independent variable is 0.967 (> 0.10) and the VIF value of each independent variable is 1.034 (< 10).

**Result of Heteroscedasticity Test**

In order to detect the presence of heteroscedasticity, the method used is the chart method (scatterplot diagram). If:

1. There is a certain pattern or the existing dots form a certain regular photo (wavy, widened, then narrowed), then heteroscedasticity occurs.

2. There is no clear pattern, and the points spread above and below 0 on the Y axis, so there is no heteroscedasticity.

The test results show that there is no heteroscedasticity because the points spread above and below 0 on the Y axis and there is no clear pattern.

**Result of Multiple Regression Test**

Multiple linear regression test is conducted to determine the effect of the relationship between the independent variables on the dependent variable. A multiple regression equation can be used to calculate the magnitude of the influence of the independent variables on the dependent variable. The results of multiple linear regression are shown below:

**Table 6. Multiple Regression Test Result**

		Coefficients <sup>a</sup>				
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	21,031	9,075		2,317	.025
	DT	.461	.223	.285	2,064	.045
	INNOVATION	.290	.211	.190	1,377	.175

Based on the results of the analysis using the SPSS 25.0 program, it can be seen that the regression equation formed. The multiple linear regression equation is as follows:

$$Y = 21,031 + 0,461X_1 + 0,290X_2 + e$$

In the regression equation above, the constant ( $\beta_0$ ) is 21,031, it means:

1. If the variables of Digital Technology ( $X_1$ ) and Innovation ( $X_2$ ) remain unchanged, the performance of SMEs that occurs is 21,031.
2. The value of regression coefficient for  $\beta_1$  is 0,461. In this research, it can be stated that digital technology ( $X_1$ ) affects the SMEs performance (Y). This indicates that for every one unit increase in Digital Technology, MSME Performance (Y) increases by 0.461 units.
3. The regression coefficient value for  $\beta_2$  is 0.290. In this study, it can be stated that innovation ( $X_2$ ) affects the performance of SMEs (Y). It shows that when innovation increases by one unit, MSME Performance (Y) will increase by 0.290 unit.

**Discussion**

**First Hypothesis Testing Results**

The first hypothesis of this research is that Digital Technology affects the Performance of Micro, Small and Medium Enterprises (SMEs). In order to determine whether there is a significant effect of each independent variable, compare the value of t count with t table and compare the significant value of

t with the level of significant ( $\alpha$ ). The level of significance used in this study is 5%. If sig t is less than 0.05, then  $H_0$  is rejected. If  $H_0$  is rejected, it means that there is a significant relationship between the independent variable and the dependent variable.

Based on the table 4.7, it can be seen that the  $t_{count}$  value is 2.064 with a significant value of 0.045 and the  $t_{table}$  has a 2.021 value. Because the value of  $t_{count} > t_{table}$  (2.064 > 2.021) with a significance (0.045 < 0.05) it can be concluded that  $H_{01}$  is rejected and  $H_{a1}$  is accepted. This shows that Digital Technology has a significant effect on the performance of SMEs. Thus the first hypothesis is supported which shows that Digital Technology has a significant effect on the performance of SMEs.

Digital Technology is technology that utilizes computer technology, internet, any telecommunication technology that can provide added value to the activities and operations of an organization or company (Ali & Wangdra, 2010: 3). In the globalization era with the rapid development of Digital Technology, it is necessary to develop entrepreneurial marketing that is able to reach all consumers in all around the world, particularly through internet marketing or E-Commerce (Harini dan Handayani, 2019). The result of this research is in line with the research by Cuevas et al. (2016), Mudiantono dkk (2019), and Astuti dkk (2020) which proves that Digital Technology has an effect on the performance of SMEs.

*Second Hypothesis Testing Results*



## Impact Factor:

ISRA (India) = 6.317	SIS (USA) = 0.912	ICV (Poland) = 6.630
ISI (Dubai, UAE) = 1.582	ПИИИ (Russia) = 3.939	PIF (India) = 1.940
GIF (Australia) = 0.564	ESJI (KZ) = 8.771	IBI (India) = 4.260
JIF = 1.500	SJIF (Morocco) = 7.184	OAJI (USA) = 0.350

The second hypothesis of this research is that innovation affects the performance of Micro, Small and Medium Enterprises (SMEs). Based on the table 4.7, it can be seen that the  $t_{count}$  value is 1.377 with a significant value of 0.175 and the  $t_{table}$  which has a value of 2.021. Because the value of  $t_{count} < t_{table}$  (1,377 < 2,021) with a significance (0.175 > 0.05) it can be concluded that  $H_{01}$  is accepted and  $H_{a1}$  is rejected. This shows that innovation does not significantly affect the performance of SMEs. Thus the second hypothesis is supported which shows that innovation has a significant effect on the performance of SMEs.

Innovation refers to an entrepreneurial behavior to creatively engage in new ideas

experiments. Innovative orientation can help individuals achieve the strategic objectives (Rauch et al. 2009). The result of this research is not in line with the research by Lumpkin & Dess (1996) and Ranto (2016), Mamun and Fazal (2017), Rezaei and Ortt (2018), Cho and Lee (2018) and also Tanjung et al (2019) that proves that innovation has effect on SMEs performance.

### Coefficient of Determination Test Result ( $R^2$ )

Analysis of the coefficient of determination is conducted to determine the percentage of influence of each independent variable on the dependent variable.

**Table 7. Coefficient of Determination Test Result ( $R^2$ )**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.370 <sup>a</sup>	.137	.100	7.863	2.185

Source: Processed Data of SPSS, 2021

Based on the results of the coefficient of determination test above, the adjusted R square value obtained is 0.100 which shows that the performance of SMEs that occur in the research sample is influenced by Digital Technology and innovation by 10% and the remaining 90% is influenced by other variables that have not been examined in this research.

## Conclusion And Suggestion

### Conclusion

This research aims to find out the effect of digital technology and innovation on the performance of micro, small and medium enterprises (SMEs) in Pelalawan Regency. This research's respondents totaled 50 people. In order to analyze the relationship between the variables, multiple regression testing was conducted. Based on the previous analysis and discussion, it can be drawn by this following conclusions: the following conclusions can be drawn:

1. Digital technology has effect on SMEs performance in Pelalawan Regency. It is shown by the value of  $t_{count}$  is greater than  $t_{table}$  (2,064 > 2,021) with significance (0,045 < 0,05), which means the digital technology utilization, especially in distributing and marketing will improve the SMEs performance. The utilization

of online media will simplify for SMEs to market their products so that the product can reach a wider market, especially during the New Normal and PPKM.

2. Innovation has no effect on the performance of SMEs in Pelalawan Regency. This can be seen from the value of  $t_{count} < t_{table}$  (1.377 < 2,021) with significance (0,175 > 0,05), which means innovation has no effect on SMEs performance. Because it is difficult for SMEs to innovate on the products they sell during the New Normal Period and the existence of PPKM. The difficulty in innovating is caused by a lack of capital and knowledge to create these products.

### Suggestion

1. This research was only conducted on SMEs in Pelalawan Regency. For future research, we will examine other areas in Riau Province so that the research results can be generalized.
2. This research was only used digital technology and innovation variables. For further research it's preferable to add other independent variables that can affect the performance of SMEs such as human resource competence, education level, competitive advantage, and so on.

## References:

## Impact Factor:

ISRA (India) = 6.317  
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