

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background of Research**

Information technology is used to process data, including processing, retrieving, assembling, storing and manipulating data in various ways to produce quality information, namely appropriate, precise and accurate information time. It is a technology that enables data to be processed using personal computers and mobile phones, and data to be distributed and accessed around the world using system networks and communications that connect devices as needed.

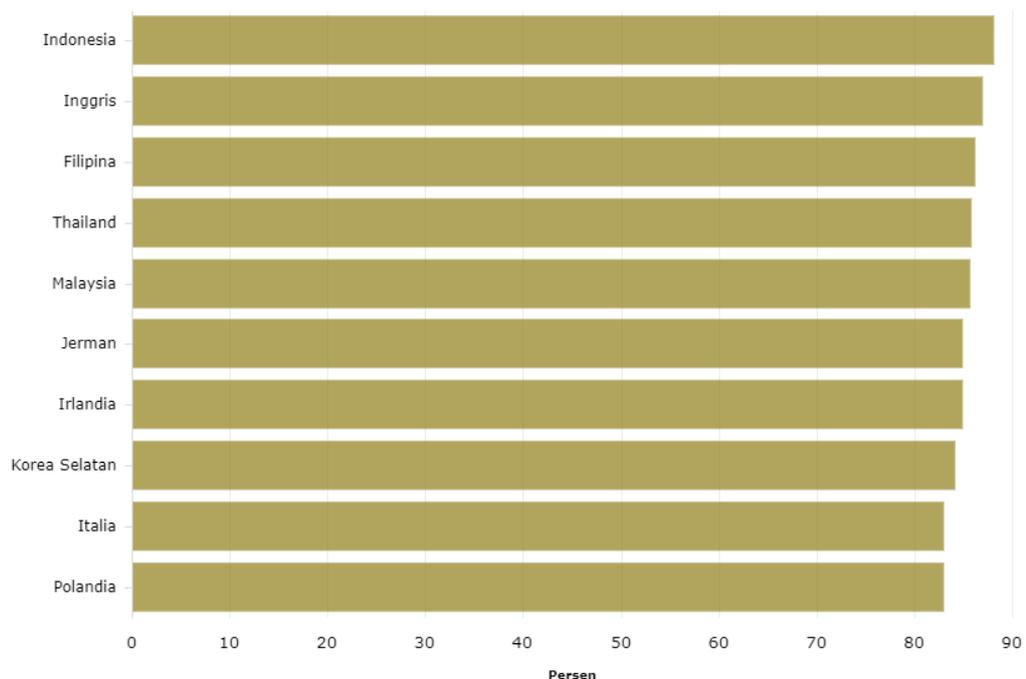
Technology can help improve financial literacy in several ways. Firstly, technology can facilitate access to useful financial information. For example, by using financial apps or websites that provide information about how to manage money effectively, an individual can gain better financial knowledge and skills. Secondly, technology can also help manage finances more effectively. Secondly, by using financial tracking apps or financial management systems, an individual can easily organize and monitor their expenses and income, enabling them to manage their finances better. Thirdly, technology can also help make more informed financial decisions. For example, by using online tools or apps that provide financial analysis and financial advice, an individual can better understand their financial situation and make more informed financial decisions. Therefore, technology can help improve financial literacy by facilitating access to useful financial information, helping manage finances more effectively, and helping make more informed financial decisions.

Technology also has a significant impact on the environmental turbulence. Technology can help increase efficiency, reduce costs, and improve productivity in the business environment. Technology can also help companies improve customer service, increase access to information, and improve the ability to communicate and work as a team. Furthermore, technology can help build dynamic capabilities in an organization. Dynamic capabilities refer to an organization's ability to develop, renew, and adapt its strategies, structures, and processes continuously in response to changes in the business environment. Technology can help increase the organization's flexibility and speed in

responding to these changes. Therefore, technology can help organizations become more dynamic and able to respond to changes quickly and effectively, so that they can remain competitive in a constantly changing business environment.

Consumers who want to make decisions fast will impact consumer buying and consuming products obtained online. In the past, more developed and utilized technology was used for communicating, doing business, messaging, and buying goods online. With the number of people using the internet, we can easily find what we want through E-Commerce. It can also become an opportunity to open online shops.

E-commerce is market place type that is growing fast in Indonesia. A marketplace is a place or electronic market that does activity buy and sells something goods or services (Hoang, Jiminez, Phuong, Tien, Thi, and Huynh, 2020). E-Commerce is an activity sold by electronic media. Many advantages can be obtained with E-Commerce, like no need to provide a particular time for shopping and not being limited by the existing distance.



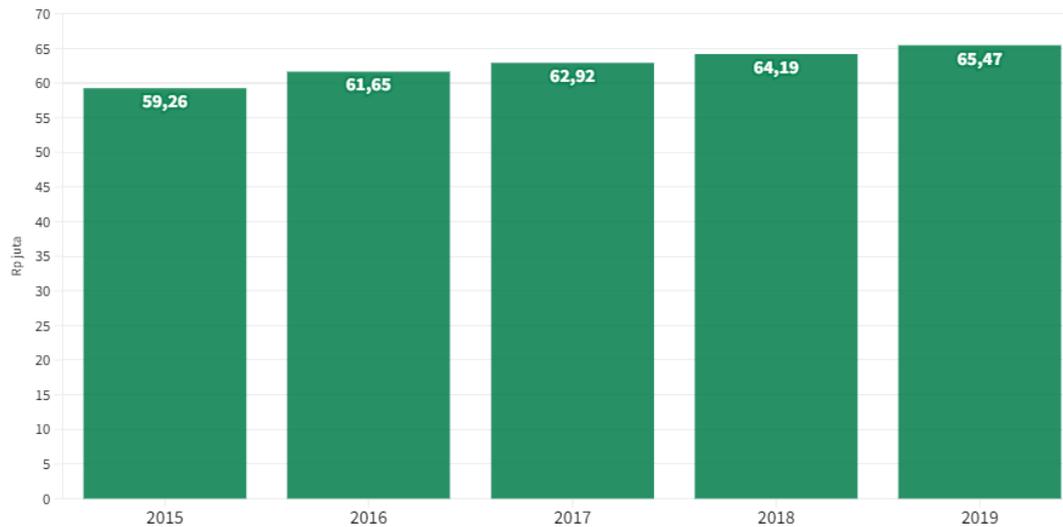
**Figure 1.1 10 Countries with Percentage Use E-Commerce World's Highest (April 2021)**

Source: (Lidwina and Bayu, 2021)

88.1% of internet users in Indonesia used e-commerce to purchase a specific product last month, April 2021 on We Were Social Survey Shows Highest Percentage Worldwide (Figure 1.1) (Lidwina and Bayu, 2021). We believe online activity shopping must be affordable, accessible, and fun (Shopee, 2021). Shopee is the leading online shopping platform in Southeast Asia and Taiwan. Launched in 2015, Shopee provides easy, safe, fast online customer service.

Shopee has various categories: electronics, fashion, equipment, home care, health and beauty, men's clothing, mothers and babies, health, automotive, and women's shoes. They created Shopee and received quickly by society. Shopee now has the latest feature, which is ShopeeFood. Shopee introduced this service in April 2020. The rising condition of the food delivery market in Indonesia can make ShopeeFood strengthen its infrastructure. ShopeeFood already has many drivers and partners. During the COVID-19 pandemic, many opened SMEs (Micro, Small, and Medium Enterprises) through food delivery. This could become an opportunity for online culinary business because we must operate protocol health and care distance during the pandemic. By applying the features in ShopeeFood, such as free shipping, cash back, promo, discounts of 10%, 15%, 50%, 60%, and 75% if using Shopee Pay, or a 100% discount for a new user, made ShopeeFood many in demand by the community (Khomariyah, 2021).

The SMEs community has contributed to an increasing economy in developed countries. An influential impact could move the wheel economy nation and reduce unemployment. The Ministry of Cooperatives and SMEs has noted the increasing number of SMEs in Indonesia. This amount represents 99.99% of all Indonesian businesses. (Figure 1.2) (Mahdi, 2022).



**Figure 1.2 Number of SMEs in Indonesia (2015-2019)**

Source: (Mahdi, 2022)

The Ministry of Cooperatives and SMEs noted that the number of SMEs reached 65.47 million in 2019. An overall increase of 1.98% year-on-year is he 64.19 million units, which is his 99.99% yield of all Indonesian business. The Effort measure is currently only 5,637 units, which equates to 0.01%. Specifically, up to 64.6 million units are Effort Micros. The amount is equal to 98.67% of the total SMEs throughout Indonesia. Seven hundred ninety-eight thousand six hundred seventy-nine units is a small effort—the proportion of 1.22% of the real SMEs in the country. Meanwhile, an effort is only as many as 65,465 units. The amount that gives shares is 0.1% of the total SMEs in Indonesia (Mahdi, 2022).

This research was conducted at ShopeeFood SMEs in Surabaya city. Researchers are interested in researching SMEs because SMEs are crucial for the economy of developing countries such as Indonesia. Several factors can influence SMEs' growth, including financial literacy, environmental turbulence, and dynamic capabilities. Financial literacy is critical because financial literacy needs base everyone to avoid problems in finance. Financial literacy relates closely to financial management by individuals. Financial literacy is the ability of individuals to assess and make effective decisions about finance personally (Chinen and Endo, 2012).

The second factor that can influence SME actors' growth is environmental turbulence. Environmental turbulence refers to various settings and dynamic environments where technology, preferences, products, and competition intensity change dramatically (Pratono and Mahmood, 2015). Environmental turbulence increases the trend for companies to adopt new ideas or solutions that lead to opportunities for new products (Wong, 2014). Turbulence-level settings make it for companies more challenging for design and execute competitive strategies (K. Dutta, 2013).

The third factor is dynamic capability. Dynamic capability is defined by two syllables: capability and dynamic (Sriwidadi, 2014). Term capability emphasizes the rule key from management in adapting, integrating, and reconfiguring by appropriate internal and external skills, resource power, and competence functional for adapting to requirements change the environment. Term dynamic shows the capacity for updating competencies to fit changing environment of business. The response is certainly required when rate change technology fast, competition future and challenging market conditions are determined (Liliani and Wiliana, 2018).

Research conducted by Sabilla and Wijayangka (2019), Indicated that financial literacy affects the growth of SMEs business. While Eresia-Eke and Raath (2013) show no relationship between the owner's perception of financial literacy and business growth. Giluw (2021) shows that the variable capability dynamic is significant to the Economy's Growth for SMEs in the Sector of Furniture Associated with AKUMINDO East Java. Kaur, Chahal, and Gupta (2018) show that environmental turbulence does not moderate the relationship between marketing capability, competitive advantage, and business performance. The limitations of previous research are that no research discusses financial literacy, environmental turbulence, and dynamic capabilities that affect ShopeeFood SME business growth, so it makes researchers interested in studying more deeply about the influence of financial literacy, environmental turbulence, and dynamic capabilities affect ShopeeFood SME business growth in the city of Surabaya.

## **1.2 Problem of Research**

Based on the limitation above, the formulation of the research problem is financial literacy, environmental turbulence, and dynamic capabilities influence on business growth of ShopeeFood SMEs in Surabaya city?

## **1.3 The Research Objective**

This research aims to empirically test the influence of financial literacy, environmental turbulence, and dynamic capabilities on the business growth of ShopeeFood SMEs in Surabaya city.

## **1.4 Research Benefit**

The benefit of this research is as follows:

### 1. Theoretical

As additional references and insights in development knowledge specifically about financial literacy, environmental turbulence, dynamic capabilities, and growth effort SMEs actors.

### 2. Practical

The study hopes it could become input for SMEs party and help SMEs solve the growth efforts' problem.

## **1.5 Thesis Writing Systematics**

To make it easier for the readers, this research is divided into 5 chapters, there are:

### **CHAPTER 1: INTRODUCTION**

This chapter describes the background of the research, problem formulation, research objectives, and research benefits which are divided into academic benefits and practical benefits, as well as the systematics of writing proposals.

### **CHAPTER 2: LITERATURE REVIEW**

This chapter explains the theoretical basis, previous research, developing hypothesis, and also the conceptual framework of the research.

#### CHAPTER 3: RESEARCH METHOD

This chapter describes the research design, identification, operational definition and measurement of variables, types and sources of data, data collection methods, population, sampling, and sampling techniques, as well as research data analysis.

#### CHAPTER 4: ANALYSIS AND DISCUSSION

This chapter describes the general picture of the research object, data description, results of data analysis, and discussion.

#### CHAPTER 5: CONCLUSION, RESEARCH LIMITED, AND SUGGESTION

This chapter describes the conclusions of the study, its limitations during the study, and suggestions for future research.