

IT IMPLEMENTATION ON INDONESIAN SMEs: CHALLENGE OR BARRIERS?

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ABSTRACT

The purpose of this research is to test the effect of both internal (owners knowledge) and external (infrastructure) factors on the success of IT implementation and SMEs performance. Data is collected from 110 SMEs owners with a mail questionnaire. A regression model is used to test the hypothesis and to examine the effect of each variable. The result of this research shows that both internal and external factors have a significant impact on IT implementation. The IT implementation has significant effect on both financial and non-financial performance. This research examined the SMEs with the whole business type without considering the IT implementation, therefore a deeper test can be conducted. This research has not been studied by other researchers. This research gives an implication to the SMEs owners and government to implement a good IT implementation strategy to enhance the performance.

Keywords: Owners' knowledge; Infrastructure; IT implementation; Financial performance; Non-financial performance.

1. INTRODUCTION

One of the firm strategies to face competition is a technology development/information system (Urquía Grande et al., 2011; Soudani, 2012). An SME as a company needs an IT for making strategic planning decision, performing innovation, and enhancing the product's quality (Miller, 1992; Bledsoe and Ingram, 1997; Dibrel et al., 2008). On the other hand, an SME needs IT to raise the flexibility of its operations, which in turn increase the company's performance (Budiarto et al., 2017). There are several problems faced by SMEs such as product's quality and low service, low digitalization, low competition, and limited IT's investment (Lee et al., 2009). There are many researchers, which investigate the technology implementation and SMEs performance in Indonesia, but this issue is still important for several reasons. First, most SMEs in Indonesia are traditional companies with low productivity (Tahi, 2011). Second, they are lack of innovative