The Role of Government Support and User Innovativeness to Entrepreneurs (Case study of SME’s in Depok, Indonesia)

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ABSTRACT

This study aims to examine the influence of external and internal factors, in this case government support and owner-manager innovation, on the attitude of owner-managers of MSMEs towards FINTECH. This study uses the Structural Equation Modeling - Partial Least Square approach using SmartPLS version 3.2.4 to examine the research hypotheses. The respondents of this study were 64 MSME owner-managers in Depok, West Java. The study indicates that government support and owner-manager innovation have a significant and positive influence on their attitudes towards FINTECH. The imperative results of this study recommend FINTECH business owners to support government activities in inspiring and motivating MSME business owners in Depok to continue developing personal creativities that represent the innovations of each owner-manager of MSME.

INTRODUCTION

FINTECH is a form of innovation in the financial industry. At this time, innovations in financial technology have touched not only the corporate side but has penetrated the user (consumer) side as well. By using Internet media, users can carry out various innovative payment schemes, investments (for example, peer-to-peer lending), and financing (Nofie Iman, 2016). Bank Indonesia has defined FINTECH as an integration of information technology with financial features that changes the business model so that it causes a weakening barrier to entry in the financial industry (Bank Indonesia, 2016).

Government support for the development of FINTECH both for entrepreneurs and users of FINTECH has been done. On the regulatory side, the legal protection of Fintech’s consumer personal data is regulated by the Indonesian
Government Support

Government support for innovation and entrepreneurship will ensure the survival and performance of MSMEs so it is expected that the government will issue policies that encourage entrepreneurial capability and boost the growth of a country's MSME sector (Enen, 2010; Obaji & Olugu, 2014). The growth of SMEs is very dependent on government strategies because without government policies that support them, MSMEs do not grow smoothly and are unable to overcome crises so they cannot survive in the global competition in the business world (Hoque, 2018). Furthermore, Noorali and Gilaninia (2017) said that the government is authorized to take various actions to develop as well as disseminate technologies and support knowledge-based companies. First, financial support for research that is driven by demand in collaboration with universities and other higher education institutions, research and technology bodies, on the condition that at least 50% of the costs are
provided by non-profit companies. Second, financial support and facilitation for the establishment and development of MSMEs and cooperatives operating in the field of commercialization and technology as well as supporting the creation of science and technology parks through the non-government sector. Third, other financial support can be in the term of reducing the costs of patents and encouraging the transfer of technical knowledge and financial support from producers for the purchase of technical knowledge and patents. In addition to those actions, the government must also expand legislative support to urge foreign partners to conclude international agreements and encourage foreign investment to transfer technical knowledge as well as invite foreign partners to become part of domestic activities in research and development in collaboration with domestic companies (Noorali & Gilaninia, 2017).

Individual Innovativeness
Individual innovativeness in technology denotes the level of intention of a person to operate new technology or innovation so that a person can be considered to have a stable trait in the technology. Individual innovativeness shows a significant impact on an individual perception of state-of-the-art technologies (Yi et al, 2006). Such individuals will show readiness in adopting new technologies earlier and taking up more risks than their cohorts when handling new technologies (Yarimoglu dan Binboga, 2019).

In the above studies, attitudes towards behavior in this case attitudes towards FINTECH have not been much studied. However, Kwon et al (2007) revealed that the embodiment of attitude towards FINTECH will depend on the user innovation that is owned by the MSME owner-manager. As stated earlier, user innovation has a tendency to adopt new things (technology) (Yarimoglu & Binboga, 2019). In addition to these internal factors, external factors that influence attitudes are Government Support (Hadjimanolis, 1999; Ye et al, 2019). These studies state that with adequate support from the government in an area, an intention (part of attitude) for entrepreneurship
will be created (Ye et al, 2019).

**H1**: Government support has a positive and significant influence on attitudes towards FINTECH

**H2**: User Innovativeness has a positive and significant effect on attitude towards FINTECH

**RESEARCH METHOD**

This study uses a causal research approach that aims to test the research hypothesis. The study population was all SMEs in Depok, West Java. Because the number is uncertain, the number of samples used is 30-100 as directed by Ghozali (2005) with the convenience sampling technique method. Of the 100 questionnaires distributed, only 64 respondents were willing to fill out the questionnaire so that the response rate in this study was 64%. PLS path modeling can be understood as a method of modeling full structural equations that can handle factor models and composite models for construct measurements, can estimate recursive and non-recursive structural models, and appropriately conduct fit model tests (Hanseler, 2015). Hanseler (2015) mentions that the PLS pathway model is formally defined by two sets of linear equations: the measurement model (also called the Outer Model) and the structural model (also called the Inner Model).

**RESULT AND DISCUSSION**

**Respondent Data**

To test the hypothesis, the profile of respondents can be seen in Table 1. Of the 64 respondents, the majority of respondents were women. Most of them are in the ages of 30-44 years old, high school education, with marital status are married. The majority of them own or manage MSMEs that do business in clothing, fashion stores or other paraphernalia for fashion. However, 70% of respondents have never used the FINTECH application.

**Outer Model**

The Outer Model determines the relationship between the construct and the observed indicators (also called the manifest variables), while the structural model determines the relationship between the construct. Before testing the hypothesis, it is necessary to test the outer model so that its validity and reliability are known. Table 2 shows the results of the outer model in this study. The table shows that all variables have an AVE value >0.5 (Hanseler, 2017) which proves that all variables have adequate validity. Furthermore for the reliability test, all variables...
have a Cronbach Alpha value > 0.7 (Henseler, 2017) and Composite Reliability value > 0.6 (Henseler, 2017). This concludes that this research has validity and reliability that meet statistical requirements so that the Inner Model test can be carried out (Hanseler, 2017).

### Table 1. Respondent Profile

| Demographics Attributes               | Total | Percentage |
|---------------------------------------|-------|------------|
| **Gender**                            |       |            |
| female                                | 39    | 61%        |
| male                                  | 25    | 39%        |
| **Age**                               |       |            |
| <21 years old                         | 5     | 8%         |
| 22-29 years old                       | 21    | 33%        |
| 30-44 years old                       | 25    | 39%        |
| >45 years old                         | 13    | 20%        |
| **Education**                         |       |            |
| Secondary School                      | 10    | 16%        |
| Tertiary School                       | 23    | 36%        |
| High School (D3 level)                | 9     | 14%        |
| University (S1/04 level)              | 18    | 28%        |
| University (Masters/Doctoral degrees) | 4     | 6%         |
| **Marital Status**                    |       |            |
| Unmarried                             | 24    | 38%        |
| Married                               | 37    | 58%        |
| Widow/widower                         | 3     | 5%         |
| **Type of SME**                       |       |            |
| Food & Beverages                      | 16    | 25%        |
| Fashion & paraphernalia               | 21    | 33%        |
| Technology                            | 2     | 3%         |
| IT equipment                          | 18    | 28%        |
| Property                              | 0     | 0%         |
| Service                               | 6     | 9%         |
| Other                                 | 1     | 2%         |
| **Ever used Financial Apps?**         |       |            |
| Yes                                   | 19    | 30%        |
| Not yet                               | 45    | 70%        |

### Table 2. Outer Model Results

| Variables                          | AVE | Cronbach Alpha | Composite Reliability |
|------------------------------------|-----|----------------|-----------------------|
| Attitude Toward FINTECH           | 0.882 | 0.886          | 0.937                 |
| Government Support                | 0.887 | 0.861          | 0.934                 |
| Individual/User Innovativeness    | 0.803 | 0.754          | 0.890                 |

### Inner Model

The structural model consists of exogenous and endogenous constructs, as well as the relationships between them. Exogenous construct values are assumed to be given from outside the model. Thus, other constructs in the model do not explain exogenous variables, and no arrows in the structural model must point to exogenous constructs. In contrast, other constructs in the model explain at least partially endogenous constructs. Each endogenous construct must have at least one structural model arrow pointing to it. The relationship between constructs is usually assumed to be linear. The size and importance of the pathway relationship is usually the focus of scientific efforts taken in empirical research (Hanseler, 2017). Hanseler mentioned several tests that must be met in the inner model are Coefficient Determination (R-Square), T-Statistics (to test the significance of influence) and Path Coefficient to see the direction of its influence. The results of the Inner model can be seen through Figure 2 and Figure 3.

Figure 2 displays the R-Square attitude of 79.6%, this proves that the independent variables (Government Support and Individual/User Innovativeness) show an attitude toward FINTECH of 79.6%. Because it is greater than 35%, it proves that this research model has a substantial effect.
(Hanseler, 2017). The results of the T-statistics and path coefficient show that Government Support has a significant effect ($T = 2.776$) and positive (path = 0.357). Thenceforth, Individual/User Innovativeness has significant effect ($T = 5.815$) and positive (path = 0.601). These results indicate that H1 and H2 were accepted in this study.

**CONCLUSIONS**

All hypotheses are accepted. Government Support and Individual/User Innovativeness have a significant and positive effect on attitude toward FINTECH. The results of this research are in accordance with previous studies on user innovation toward attitude (Kwon et al (2007; Yarimoglu & Binboga, 2019) and Government support (Hadjimanolis, 1999; Ye et al, 2019). The limitation of this study is that only two independent variables were incorporated. And hence the next research can apply the Technology Acceptance Model (TAM) or the Unified Theory of Acceptance and Use of Technology (UTAUT) model studied in many studies of attitude and intention to use.

The managerial implication of this study is that the government officers should support innovation activities if they want to boost the development of MSMEs. However, on the other hand MSME managers/owners are also encouraged to be more independent from the government given the higher path coefficient results on individual/user innovativeness so it means that personal innovation must be increased as well.

To enable FINTECH penetration among MSME users/managers, FINTECH companies should always support government activities in educating the use of FINTECH as well as stimulate individual innovation among MSME managers/owners in the city of Bogor and Indonesia in general.

**Declaration of Conflicting Interests**

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