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THE EFFECT OF DIGITAL PAYMENT UTILIZATION ON MICRO-ENTERPRISE PERFORMANCE: THE MEDIATING ROLE OF BUSINESS OWNER SATISFACTION

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Abstract
The rapid development of digital financial technology has encouraged micro-enterprises to adopt digital payment systems as an essential component of business operations. Digital payment services, including Quick Response Code Indonesian Standard (QRIS), electronic wallets, mobile banking, and internet banking, provide faster, safer, and more efficient transaction processes than conventional cash payments. Nevertheless, the effectiveness of digital payment adoption in improving business performance depends not only on the technology itself but also on business owners' satisfaction with its utilization. This study aims to examine the effect of digital payment utilization on the performance of micro-enterprises and to investigate the mediating role of business owner satisfaction. A quantitative research approach was employed using a survey of 75 micro-enterprise owners operating in the Special Region of Yogyakarta who had adopted digital payment systems. Partial Least Squares Structural Equation Modeling (PLS-SEM) was used to examine the data. The results show that micro-enterprise performance is positively and significantly impacted by the use of digital payments. Additionally, the association between digital payment utilization and business performance is substantially mediated by business owner happiness, indicating that greater satisfaction amplifies the benefits of digital payment adoption.These findings support Organizational Transformation Theory, emphasizing that successful technological transformation depends on users' acceptance and satisfaction. The study provides practical implications for micro-enterprises, digital payment service providers, and policymakers seeking to accelerate digital transformation among small businesses.
Keywords*: digital payment, micro-enterprises, business performance, business owner satisfaction, PLS-SEM.*

1. Introduction

Micro-enterprises constitute one of the most important pillars of Indonesia's economy by creating employment opportunities, generating household income, and stimulating regional economic development. Micro-enterprises are defined under Law Number 20 of 2008 governing Micro, Small, and Medium Enterprises as profitable companies run by people or individual business entities that meet certain asset and yearly income requirements.

In the Special Region of Yogyakarta, micro-enterprises play a strategic role in supporting economic growth, particularly in the trade, culinary, tourism, creative industry, and service sectors. Their contribution has become increasingly significant as regional economic activities continue to expand.

Due in large part to the widespread use of digital payment methods, the quick development of digital technology has completely changed how businesses operate. The Quick Response Code Indonesian Standard (QRIS), electronic wallets, internet banking, mobile banking, and other digital payment methods have grown in popularity among consumers and company owners. Businesses may execute transactions more quickly, use less cash, maintain better financial records, and give customers more convenience thanks to these technology. As a result, using digital payments has emerged as a crucial tactic for enhancing operational effectiveness and preserving competitiveness in a market that is becoming more and more digital.

In Yogyakarta, where consumers are mostly made up of university students, domestic tourists, and technologically educated people who regularly use cashless payment methods, the growing adoption of digital payments is especially pertinent. In order to match market expectations and

maintain their competitive edge, micro-enterprises are encouraged to implement digital payment technology by this shifting consumer behavior. It is anticipated that companies that successfully incorporate digital payment systems into their operations will see an increase in customer satisfaction, transaction efficiency, and overall business performance.

Previous studies have consistently reported positive relationships between digital payment adoption and business outcomes. Research by Ambarita and Simanjuntak (2024) demonstrated that QRIS implementation improves operational efficiency, increases revenue, and enhances user satisfaction among micro, small, and medium enterprises. Similarly, Erika et al. (2024) found that digital payment systems contribute positively to business performance by facilitating faster, safer, and more efficient financial transactions. However, several studies have also suggested that technology adoption alone does not necessarily guarantee improved organizational performance. Instead, users' satisfaction with the technology plays an important role in determining whether its potential benefits can be fully realized.

Business owner satisfaction represents an important psychological factor that reflects the extent to which digital payment systems meet users' expectations regarding convenience, security, efficiency, and business value. Satisfied business owners are more likely to continue utilizing digital payment technologies, integrate them into daily business activities, and maximize their benefits. Consequently, business owner satisfaction may function as a mediating mechanism through which digital payment utilization influences business performance.

This study is grounded in Organizational Transformation Theory proposed by Rothwell, Stavros, and Sullivan (2015), which emphasizes that organizational performance improves when technological changes are successfully accepted and integrated into organizational processes. From this perspective, digital payment utilization represents a form of technological transformation within micro-enterprises. The effectiveness of this transformation depends not only on the implementation of new technology but also on users' ability to adapt to and derive satisfaction from its utilization.

Based on these factors, the study intends to evaluate the mediating function of business owner satisfaction among micro-enterprises in the Special Region of Yogyakarta as well as the direct impact of digital payment adoption on micro-enterprise performance. In the context of Indonesian micro-enterprises, the results are anticipated to add to the expanding body of literature on digital transformation and offer empirical proof of the ways in which digital payment systems improve business performance.

2. Literature Review

2.1 Digital Payment Utilization

Digital payment refers to the use of electronic technologies that enable financial transactions without relying on physical cash. According to Bank Indonesia (2021), digital payment systems facilitate the transfer of funds through electronic platforms, including QRIS, electronic wallets, mobile banking, internet banking, and other digital payment instruments. The increasing availability of these technologies has changed the way businesses conduct transactions by providing greater speed, security, and convenience.

The use of digital payments for micro-enterprises goes beyond just being an alternate form of payment. Additionally, it facilitates business operations by streamlining transaction processing, minimizing cash handling, enhancing financial documentation, and boosting operational effectiveness. Adoption of digital payment systems allows micro-enterprises to adapt to shifting market demands while retaining company competitiveness as customers favor cashless transactions more and more.

According to Davis's (1989) Technology Acceptance Model (TAM), people are more likely to adopt a technology if they believe it to be practical and simple to use. In the framework

of this study, it is anticipated that business owners who understand the advantages and practicality of digital payment systems will incorporate these technologies into their day-to-day operations, enhancing business performance.

Five indicators transaction convenience, transaction security, transaction efficiency, simplicity of business operations, and accessibility of payment services—are used to measure the use of digital payments based on prior research and the conceptual framework of this study. These metrics show how much company owners believe digital payment systems will help them with their business operations.

2.2 Business Owner Satisfaction

Business owner satisfaction describes the positive evaluation formed after using digital payment systems in business operations. Kotler and Keller (2016) explain that satisfaction emerges when the performance of a product or service meets or exceeds users' expectations. In the present study, satisfaction reflects business owners' perceptions regarding the benefits, convenience, and effectiveness of digital payment services in supporting their businesses.

Owners of businesses who encounter seamless transactions, dependable payment processing, and increased productivity are more likely to form positive opinions about digital payment systems. These satisfying encounters boost users' confidence in incorporating digital payments into regular business operations and promote ongoing use of the technology.

The theoretical foundation for comprehending this relationship is provided by Oliver's (1980) Expectation Confirmation Theory (ECT). According to the hypothesis, users get satisfied when they believe a technology meets or exceeds their initial expectations. As a result, happy users are more likely to stick with the technology and reap more long-term rewards.

In this study, business owner satisfaction is evaluated using five dimensions: satisfaction with ease of use, satisfaction with perceived benefits, satisfaction with operational efficiency, confirmation of expectations, and intention to continue using digital payment services.

2.3 Micro-Enterprise Performance

Business performance represents the extent to which an enterprise successfully achieves its operational and financial objectives. For micro-enterprises, performance can be observed through improvements in sales growth, profitability, customer growth, operational effectiveness, and competitive capability.

The usage of digital payment systems is expected to boost business performance by simplifying payment procedures, expediting transaction processing, lowering administrative errors, and enhancing customer convenience. These improvements may increase productivity and competitiveness in an increasingly digital business environment.

In keeping with previous research, this study measures micro-enterprise performance using five indicators: sales growth, profit growth, customer growth, business effectiveness, and corporate competitiveness. These metrics provide a comprehensive assessment of business outcomes following the use of digital payment technologies.

2.4 Organizational Transformation Theory

This study adopts Organizational Transformation Theory developed by Rothwell, Stavros, and Sullivan (2015) as its primary theoretical foundation. The theory emphasizes that organizational transformation involves planned changes in organizational processes, technology, and human behavior to improve organizational effectiveness.

Adopting digital payment systems is a technology shift that transforms conventional transaction procedures into digitally assisted business processes in the context of

microenterprises. It is anticipated that this change will increase operational effectiveness while motivating company owners to adjust to changing technological settings.

2.5 Hypothesis Development

Microbusinesses are able to handle transactions more effectively and give clients more convenience thanks to the growing use of digital payment technology. Prior research has consistently demonstrated that the use of digital payments enhances operational effectiveness and increases business prospects, both of which have a favorable impact on corporate performance. Consequently, the following is the initial theory put forth:

H1: Digital payment utilization has a positive and significant effect on micro-enterprise performance.

H2: Business owner satisfaction significantly mediates the relationship between digital payment utilization and micro-enterprise performance.

3. Research Methods

This study used a quantitative research methodology to investigate the connections between micro-enterprise success, business owner happiness, and the use of digital payments. Partial Least Squares Structural Equation Modeling (PLS-SEM), which can handle relatively small sample sizes and is suitable for assessing complicated structural relationships containing mediation effects, was used to test the suggested conceptual model.

3.1 Research Design

In order to examine the direct impact of digital payment usage on micro-enterprise performance as well as the indirect impact through business owner satisfaction, the study used an explanatory design. The Organizational Transformation Theory, Technology Acceptance Model (TAM), and Expectation Confirmation Theory (ECT), which together describe how technological adoption and users' perceptions contribute to organizational performance, served as the foundation for the conceptual framework.

3.2 Population and Sample

The population consisted of micro-enterprises operating in the Special Region of Yogyakarta that had implemented digital payment systems in their business activities. The study focused on businesses using digital payment instruments such as QRIS, electronic wallets, mobile banking, and internet banking.

Samples were selected using purposive sampling. Respondents were required to satisfy the following criteria: (1) owning or managing a micro-enterprise located in the Special Region of Yogyakarta; (2) actively utilizing digital payment services in daily business transactions; and (3) having sufficient experience with digital payment systems to evaluate their impact on business operations.

A total of 75 valid questionnaires were collected and included in the data analysis. This sample size fulfilled the minimum requirement for PLS-SEM analysis because the method is suitable for studies involving relatively small samples while maintaining adequate statistical power.

3.3 Data Collection

Google Forms was used to deliver an online survey that was used to gather primary data. The purpose of the questionnaire was to gage respondents' opinions about micro-enterprise performance, business owner satisfaction, and the use of digital payments. All answers were kept private, and participation was entirely voluntary.

A five point Likert scale, with 1 denoting "strongly disagree" and 5 denoting "strongly agree," was used to rate each questionnaire item. The scale was chosen because it makes

quantitative statistical analysis easier and allows respondents to express different levels of agreement.

3.4 Measurement of Variables

The research model contained three latent variables. Five indicators transaction convenience, transaction security, transaction efficiency, company operational support, and business competitiveness were used to gage the use of digital payments. These metrics evaluated how much digital payment platforms help entrepreneurs carry out their everyday business operations.

Five indicators sales growth, profit growth, customer growth, business effectiveness, and business competitiveness were used to evaluate micro-enterprise success. These metrics were chosen to reflect both non-financial and financial facets of company performance.

3.5 Data Analysis

The collected data were analyzed using SmartPLS software. The analysis consisted of two main stages: evaluation of the measurement model (outer model) and evaluation of the structural model (inner model).

The measuring model was assessed using convergent validity, discriminant validity, indicator reliability, and construct reliability. Convergent validity was considered adequate when indicator loadings were greater than 0.70 and the Average Variance Extracted (AVE) was greater than 0.50. Discriminant validity was evaluated using cross-loading values to ensure that each indicator demonstrated better associations with its corresponding concept than with other conceptions. Internal consistency dependability was assessed using Cronbach's Alpha and Composite dependability; results higher than 0.70 denoted satisfactory reliability.

The coefficient of determination (R^2), effect size (f^2), and hypothesis testing using the bootstrapping method were used to assess the structural model. While effect size evaluated each exogenous construct's contribution to the endogenous variables, R2 values were utilized to calculate the model's explanatory power. When the bootstrapping findings showed statistically significant connections at the 95% confidence level, with a t-value more than 1.96 and a p-value below 0.05, the hypotheses were accepted.

4. Research Findings and Discussion

4.1 Measurement Model Evaluation

Before evaluating the suggested hypotheses, the measuring model was assessed to determine the reliability and validity of the study constructs. Internal consistency reliability, discriminant validity, and convergent validity were all assessed.

4.2 Convergent Validity

The outer loading values of each indicator were used to assess convergent validity. Indicator loadings greater than 0.70, according to Hair et al. (2022), show that the observable variables accurately reflect the corresponding latent constructs.

According to the analysis, loading values over the suggested threshold of 0.70 were attained by all parameters assessing the use of digital payments, business owner satisfaction, and micro-enterprise performance. As a result, every measurement item showed enough convergent validity and was kept for further examination.

Table 1. Outer Loading Values

Construct	Indicator	Loading
Digital Payment Utilization	X1	0.812
	X2	0.866
	X3	0.736
	X4	0.838
	X5	0.839
Business Owner Satisfaction	M1	0.800
	M2	0.795
	M3	0.785
	M4	0.844
	M5	0.842
Micro-enterprise Performance	Y1	0.798
	Y2	0.873
	Y3	0.814
	Y4	0.885
	Y5	0.861

Source: Processed SmartPLS Output

4.3 Discriminant Validity

The cross-loading criterion was used to evaluate discriminant validity. The measuring items successfully discriminated one latent variable from another, as each indicator showed a larger loading on its respective construct than on the other constructs. These results show that the research models meet the suggested criteria for discriminant validity.

4.4 Reliability Analysis

Internal consistency was evaluated using Cronbach's Alpha and Composite Reliability. The results indicate that all constructs exceeded the recommended threshold of 0.70, demonstrating satisfactory reliability.

Table 2. Reliability Statistics

Construct	Cronbach's Alpha	Composite Reliability
Digital Payment Utilization	0.877	0.911
Business Owner Satisfaction	0.872	0.907
Micro-enterprise Performance	0.901	0.927

Source: Processed SmartPLS Output

These results indicate that all constructs consistently measured the intended concepts and were suitable for structural model evaluation.

5. Structural Model Evaluation

5.1 Coefficient of Determination (R^2)

The explanatory power of the structural model was assessed using the coefficient of determination (R^2).

Table 3. Coefficient of Determination

Endogenous Variable	R^2	Adjusted R^2
Business Owner Satisfaction	0.580	0.575
Micro-enterprise Performance	0.650	0.641

Source: Processed SmartPLS Output

The model accounts for 65.0% of the variation in micro-enterprise performance and 58.0% of the variation in company owner satisfaction. These results show a moderate level of

explanatory power, indicating that the endogenous constructs are sufficiently explained by the suggested model, according to Chin (1998).

5.2 Effect Size (f^2)

The contribution of each exogenous construct was evaluated using the effect size (f^2).

Table 4. Effect Size

Relationship	f^2
Digital Payment Utilization → Business Owner Satisfaction	1.383
Digital Payment Utilization → Micro-enterprise Performance	0.093
Business Owner Satisfaction → Micro-enterprise Performance	0.396

Source: Processed SmartPLS Output

The results indicate that digital payment utilization has a substantial effect on business owner satisfaction. Business owner satisfaction also demonstrates a relatively strong contribution to micro-enterprise performance, whereas the direct effect of digital payment utilization on business performance is comparatively smaller.

5.3 Hypothesis Testing

The hypotheses were tested using the bootstrapping procedure in SmartPLS.

Table 5. Hypothesis Testing Results

Hypothesis	Path Coefficient	t-value	p-value	Decision
H1: Digital Payment Utilization → Micro-enterprise Performance	0.278	2.550	<0.001	Supported
H2: Digital Payment Utilization → Business Owner Satisfaction → Micro-enterprise Performance	0.438	5.180	<0.001	Supported

Source: Processed SmartPLS Output

Both hypotheses were supported because the t-values exceeded 1.96 and the p-values were below the 0.05 significance level.

6. Discussion

6.1 The Effect of Digital Payment Utilization on Micro-enterprise Performance

The findings demonstrate that digital payment utilization has a positive and statistically significant effect on micro-enterprise performance. This result suggests that businesses adopting digital payment systems experience better business outcomes than those relying primarily on conventional cash transactions.

The implementation of digital payment technologies simplifies transaction processes, reduces cash-handling activities, and improves the efficiency of financial management. In addition, offering multiple payment options enhances customer convenience, encourages purchasing decisions, and contributes to improved business competitiveness. These operational improvements ultimately support higher business performance.

The findings are consistent with the Technology Acceptance Model (Davis, 1989), which proposes that perceived usefulness and perceived ease of use encourage technology adoption. When business owners recognize that digital payment systems improve business operations, they are more likely to utilize the technology consistently, resulting in better organizational outcomes.

The present findings also support previous studies reporting that digital payment adoption contributes positively to operational efficiency, sales performance, and overall business growth among micro and small enterprises.

6.2 The Mediating Role of Business Owner Satisfaction

The analysis further indicates that business owner satisfaction significantly mediates the relationship between digital payment utilization and micro-enterprise performance. Interestingly, the indirect effect ($\beta = 0.438$) is stronger than the direct effect ($\beta = 0.278$), suggesting that satisfaction represents an important mechanism through which digital payment utilization improves business performance.

Business owners who perceive digital payment systems as convenient, secure, and beneficial tend to report higher levels of satisfaction. Positive experiences encourage continuous utilization of digital payment technology, allowing businesses to maximize operational efficiency and customer service quality. As a result, satisfied users obtain greater business benefits than those who merely adopt the technology without experiencing positive outcomes.

These findings are consistent with Expectation Confirmation Theory (Oliver, 1980), which argues that satisfaction develops when users perceive that a technology performs according to or beyond their expectations. Continued technology utilization following satisfaction contributes to sustained improvements in organizational performance.

6.3 Implications of Organizational Transformation Theory

The findings provide empirical support for Organizational Transformation Theory proposed by Rothwell, Stavros, and Sullivan (2015). Digital payment utilization represents a form of technological transformation that reshapes business processes within micro-enterprises. However, the study demonstrates that successful technological transformation depends not only on technology implementation but also on users' responses to that technology.

Business owner satisfaction reflects successful adaptation to digital transformation. When business owners perceive digital payment systems as valuable and compatible with their business needs, they are more willing to integrate the technology into daily operations. Consequently, technological transformation creates tangible improvements in organizational effectiveness and business performance.

Overall, these findings reinforce the argument that digital transformation is not merely a technological issue but also a human-centered process in which user satisfaction plays a crucial role in translating technological innovation into sustainable business success.

7. Conclusion

Using business owner satisfaction as a mediating variable, this study looked at how digital payment usage affected microbusiness performance. The results show that micro-enterprise performance is positively and significantly impacted by the use of digital payments. Business owners can execute transactions more effectively, streamline financial administration, enhance client convenience, and boost their competitiveness by implementing digital payment solutions. In the context of microenterprises, these benefits lead to improved organizational performance.

Additionally, the analysis reveals that business owner satisfaction has a substantial mediating function. Higher levels of satisfaction are typically reported by business owners who view digital payment services as practical, dependable, and helpful. This reinforces the beneficial effects of digital payment adoption on business performance. This result suggests that unless consumers have pleasant interactions with the system, technology adoption alone is insufficient to maximize company outcomes.

Additionally, the results offer empirical backing for Organizational Transformation Theory, which highlights that when technology innovation is effectively incorporated into organizational procedures and embraced by users, organizational performance improves. Digital payment systems are more than just a technology advancement in the context of microbusinesses; they are a strategic shift that improves operational efficacy through the active involvement and contentment of business owners.

By highlighting the significance of business owner satisfaction as a mechanism connecting digital payment utilization to business performance, this study adds to the expanding body of literature on digital transformation and micro-enterprise development. From a practical standpoint, the results indicate that in order to improve business owners' satisfaction and promote the long-term adoption of digital financial technologies, policymakers and digital payment service providers should concentrate not only on growing digital payment infrastructure but also on enhancing system usability, transaction security, and user support.

Despite offering insightful information, this study has a number of drawbacks. The study's rather small sample of microbusinesses in Yogyakarta's Special Region may limit how far the results may be applied to other areas or industries. To gain a more thorough understanding of the factors influencing micro-enterprise performance in the digital economy, future research is encouraged to include larger and more diverse samples as well as additional variables like digital literacy, trust, innovation capability, or technology readiness.

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