

The Impact of Digital Financial Application Quality on Entrepreneurial Business Performance

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Abstract

This article provides a discussion on some issues associated with quality of digital finance used by entrepreneur – an area which has not been critically addressed in the literature. Digital finance has several benefits to customers and entrepreneurs, a number of issues still persist which if addressed can make digital finance work better and quality for entrepreneurs. The digital finance issues discussed in this article are relevant for the on-going debate directed at entrepreneur in developing business performance using digital finance. By that, providing service quality is the main thing to the service industry especially for the entrepreneurs. Customer satisfaction has become a major consideration for business operations among successful entrepreneurs by ensuring the quality of service received by customers. The research methodology used secondary data from researches published in journals. The main findings revealed that service quality of digital finance application influence entrepreneur's business performance through customer satisfaction.

Keywords: SME, Digital finance, Entrepreneur, business performance, customer satisfaction

Introduction

Everything is going digital and so are financial services. Gone are the days when customer had to carry money when going out. Therefore, mobile phone is sufficient to take care of all their daily financial needs. Mobile phones are fast becoming the most used device for financial transactions now that help customer make payments at shops and supermarkets. All banking services are within palm. Customer can transfer money using digital devices. Digital financial services have expanded greatly globally and people have accepted them with open arms. Their convenience and safety prompt more people to move to these methods. Usage digital wallet known as e-money or e-wallet in Malaysia is growing rapidly over the past few years with increased growth driven by government efforts and active marketing by various companies and entrepreneurs (Noraini, Azri Bhari, Afandi, 2022). This awareness has opened up opportunities for entrepreneurs to use digital finance as the main tool in financial affairs to facilitate payment transactions without the need for customers to carry money.

Now, the development of Malaysian entrepreneurs in the use of digital finance shows that the level of business digitization among entrepreneurs is high from the aspect of ICT skills and the ability to access the internet. However, the level of business digitization from the aspect of using e-commerce is still at a moderate level even though they have high ICT skills and have access to the internet (Zulkarnain, Meyliana, Hidayanto, & Prabowo, 2019). Therefore, with the purpose, benefits and reputation of a good product marketed through the digital medium, it can have a positive influence on the

business performance of SME entrepreneurs (Omar, Mohamad Zan, Hassan, & Ibrahim, 2020).

The Financial Sector Master Plan 2022-2026 was launched by Bank Negara Malaysia (BNM) outlining five priorities to encourage the financial system to guarantee long-term growth, especially in terms of digitalization. The development of the fintech industry will continue to grow when there is a modern and comprehensive digital infrastructure, ease of doing business and a skilled workforce (Abdul Aziz, 2022).

Although there are many benefits of digital finance for entrepreneurs in doing their business, they also face some significant challenges such as telecommunication service providers not providing quality services such as poor internet access in rural areas (Ahmad, Liu, Žiković, & Belyaeva, 2022). Besides that, most entrepreneurs prefer technology that is simple and easy to use over technology that is difficult but useful (Abdul Rashid, 2016). Therefore, in facing all the challenges to become a successful rural entrepreneur, there are several things that need to be mastered, among them the skills of using ICT technology, high discipline in business and anticipating future needs (Mohd Yusof et al., 2019).

Quality of service (QoS) is a set of technologies that work on a network to guarantee its ability to dependably run high-priority applications and traffic under limited network capacity. QoS technologies accomplish this by providing differentiated handling and capacity allocation to specific flows in network traffic. This enables the network administrator to assign the order in which packets are handled and the amount of bandwidth afforded to that application or traffic flow (Ardagna et al., 2014). Entrepreneurs as business providers depend on the quality of the network to send information to customers. Businesses face the need to provide reliable, consistent services for customers. Since QoS shapes the user experience, reputation can be negatively impacted when services are unstable and not quality (Yang, Yang, & Yang, 2024; Aljiznawi et al., 2017).

When talking about the quality of digital financial services, it has to do with internet access. In Malaysia, although the percentage of household access to the internet increased to 95.5 percent in 2021 compared to 91.7 percent in 2020, the digital divide between urban and rural areas is still widening, and this problem is more significant in the case of rural entrepreneurs (Department of statistics Malaysia, 2022). Statistics for 2020 show that the distribution of internet use in urban areas is 75.6 percent compared to 24.4 percent in rural areas (MCMC, 2020). Based on the statement, rural entrepreneurs face considerable constraints in ensuring that digital technology is used in their businesses. The challenge faced by rural entrepreneurs is that this will reduce the quality of service in the provision of digital finance to customers through digital technology.

Customer satisfaction can determine the success or failure of a business. By that, providing service quality is the main thing to the service industry especially for the entrepreneurs. Customer satisfaction has become a major consideration for business operations among successful entrepreneurs by ensuring the quality of service received by customers (Belas & Gabčová, 2016; Chavan & Ahmad, 2013).

Herington & Weaven, (2009) study, where they established the relationship between service quality dimension and customer satisfaction was regarded as a positive relationship. As a result, perceived service quality has been widely considered as an antecedent of customer satisfaction and previous studies have ascertained its relationship (Naik, Gantasala, & Prabhakar, 2010; Yee, Yeung, & Cheng, 2011). Thus, providing quality digital financial services will give good benefits to the business performance of entrepreneurs.

Research Objectives

The objective of the research is to examine the digital financial accessibility can impact entrepreneurial business performance of entrepreneur in northern region in Malaysia. Further to determine the quality of digital financial services can impact entrepreneurial business performance and to identify importance of implementation digital financial as a result of the improving entrepreneurial business performance.

Literature Review

Digital Finance

From a practitioner's viewpoint like entrepreneurs, digital finance is financial services delivered through mobile phones, personal computers, the internet or cards linked to a reliable digital payment system. Similarly, a McKinsey report identify digital finance as “financial services delivered via mobile phones, the internet or cards” (Manyika et al., 2016). According to Gomber, Koch, & Siering, (2017), digital finance encompasses a magnitude of new financial products, financial businesses, finance-related software, and novel forms of customer communication and interaction - delivered by FinTech companies and innovative financial service providers.

Digital finance advantage over traditional financial is their key driver of success and competitive advantage. Digital finance should have a value-add for the customer (customer satisfaction), and mobile and data-based services can enhance business performance. Web- and data-based platforms are important for creating new services” (Manyika et al., 2016). Hence, products or services can be connected with other services from different industries, which leads to value creation for customers. Since the technology should be usable, it needs to be easy, fast, and quality. Therefore, technological complexity needs to be reduced Gomber, Koch, & Siering, (2017), the spread of the internet and the availability of affordable smartphones have made it easy for many to use various digital services. People can obtain a lot of information from the internet. It is possible to communicate with people across the world at an affordable price (Ishaq, 2012). Technology enables people to get entertainment inside their homes without having to go anywhere. But the main benefit of digitalisation comes from digital financial services. One need not go anywhere to make a financial transaction. All one needs is a smartphone and reliable internet services (Manyika et al., 2016).

All financial transactions done using a digital device are called digital financial services. There is a range of such services offered by banks and other institutions. The most common service that has become highly popular is shopping. It is possible to buy stuff using your mobile phone and a service provider app. Probably the earliest digital instruments were cards and ATMs. Credit and debit cards facilitate payment for various purposes. ATMs are used for the withdrawal of money from bank accounts. Recently they have also been upgraded to accept cash deposits into a bank account Gomber, Koch, & Siering, (2017).

An important component of digital financial services is the transactional platform. These platforms help you transact from bank accounts or credit cards. There are many details that you can get from these platforms. These are the basic components of any digital transaction. The next is the device (Mohd Suki, 2017).

Quality of Services

Providing superior service quality is crucial in achieving long-term success in the service industry ((Shahin & Dabestani, 2010). Quality of services refers to consumers’ evaluation of the excellence and superiority of the service encountered ((Zeithaml, 2003). Customers who experience positive feelings and attitudes toward the services during the service consumption process are more likely to perceive favourably toward the service provider, which subsequently leads to customer loyalty ((Ishaq, 2012). This is consistent with past studies which have shown that customers who are satisfied with the service quality are more likely to become loyal customers (Cheng & Rashid, 2013; Cheng, Loannou, & Serafeim, 2014). Research by Wu & Li, (2015) revealed that service quality is critical to customer satisfaction. In addition, a recent study by Kasiri et al., (2017) indicated that service industry can improve customer satisfaction through service quality. To date, consumers pay considerable attention to the reputation of a company.

Customer Satisfaction

Customer satisfaction measures the performance of organizations according to their needs. This further provides a measurement of service quality. By providing feedback on service aspects, customers can actually comment on products and services. In today’s marketplace, if organizations fail to provide product and service quality, they lose customers to other competitors. Consumers are becoming more demanding, and their quality expectations have increased; as a result, organizations must be customer-centered, deliver superior value to customers, build relationships, and work on market engineering. Today’s organizations keep track of their customers’ expectations, their own performance, customer satisfaction, and even their competitors.

Kotler and Armstrong (2018) argued that customer satisfaction is a measure of how products and the services provided meet or surpass customer expectations. It refers to the final state of a process in which the customers evaluate the perceived benefits obtained from using service (Oliver, 2010). If a company wants customers to perceive their products or services as valuable, customer satisfaction must be fulfilled (Zameer et al., 2015). Satisfied customers tend to stay loyal with products that can satisfy their needs and wants (Mohd Suki, 2017). A study conducted by Agnihotri et al. (2019) reported that customer satisfaction with the sales personnel has a significant positive influence on customers’ willingness to pay more. This shows that when customers’ needs are met efficiently, the satisfaction will drive them to spend more money and make more repeated purchase. In another words, a satisfied customer would likely give the company a good reference (Leung, 2020). Saleem et al. (2017) found customer satisfaction acts as a mediator between service quality and repurchase intentions in the airline industry.

In another recent study, Hussain (2016) examined the relationship between service quality, value, image, satisfaction and loyalty on a sample of 253 airline passengers. They found that quality of a service is an important factor in generating favourable behavioural intentions through customer satisfaction.

Business Performance

Business performance or firm performance is a subcategory of organizational effectiveness that very well comprises both operational and financial outcomes. The operational performance could be observed as a predecessor to financial performance, mediating the effect of resources. While the customer satisfaction maybe a predecessor to financial performance, it is in fact apart of customer satisfaction itself. For business enterprise, 'profit' is the objective in order for a business to grow and survive in the market. The social objective of public sector could be related to quality of service in which it has the potential to attracted customers. A study conducted by Nor et al. (2022), customer satisfaction is clearly an outcome (using the customer – a stakeholder –perspective) and thus become part of firm performance. Loyalty customer can affect firm's business where to gain competitiveness and achieve excellent business performance (Hassan et al.,2015).

Research Methodology and Data Analysis

The methodological approach uses secondary data analysis to reach the results presented in this paper. This method has been researched and proven that the quality of digital finance affects the business performance of entrepreneurs through customer satisfaction. The conceptual framework describes the relationship between the quality of digital financial services affecting the business performance of entrepreneurs through customer satisfaction. The conceptual framework is shown below:



Figure 1: Conceptual Framework

Findings and Discussion

Among the possible benefits of this digital financial technology are that it is simple, more reliable, cost-effective, and faster than other methods. It can help users easily access each application when the service provided is quality and customer-friendly. This will save time and lower costs (Ahmad, 2022). According to Martinez & Campillo-Diaz (2017), one of the contributing factors to the increased use of digital finance in Malaysia is offering quality services and products.

Quality of Services - Level of excellence or standard of the services offered by an entrepreneurial venture. It can encompass various aspects such as product quality, customer service, reliability, efficiency, and more.

Customer Satisfaction - Customer satisfaction measures how content and pleased customers are with the services they receive from a business. It often involves factors like meeting customer expectations, providing value for money, and offering a positive experience.

Entrepreneurial Performance - Entrepreneurial performance generally refers to how well a business or entrepreneurial venture is doing in terms of achieving its goals and objectives. This can include financial performance, growth, market share, and other relevant metrics.

In summary, we can conclude that the statement implies that there is an interest in examining whether a strong relationship exists between the quality of services provided by the entrepreneurial venture and the level of customer satisfaction. Additionally, it suggests that researchers or business analysts want to determine whether customer satisfaction has a direct impact on the overall performance of the entrepreneurial venture. Therefore, through the findings, the paper offers the redesigning of the conceptual framework as below:



Figure 2: Redesigning of the Conceptual Framework

Relationship between Quality of Services and Customer satisfaction

In respect of the interactions between quality of service and customer satisfaction, which are facilitated through the customer aspect of service quality. Abd-El-Salam, et al. (2013) and Chen (2010) suggest that customer satisfaction is the result of a customer's comparison of perceived quality and actual service performance. This comparison may lead to customer satisfaction or dissatisfaction. Results from Ibanez, Hartmann & Calvo (2006) test on reliability of service and customer satisfaction suggest that a positive correlation do exist between the reliability of service, service quality, performance (i.e. financial and nonfinancial) and customer's satisfaction. This is made possible through the interactional activities between employees and customers. This dimension is facilitated through the people aspect of service quality (Kaura, et al., 2012). Zoya et al (2020) examined the positive relationship between service quality and customer satisfaction. Loyalty is all about satisfying the right customers to whom you can provide the best quality services so that they come back to avail services. Customer satisfaction leads to customer loyalty. The chances of customers to revisit or purchase the same product increase if they are satisfied, and they recommend it to the others with a positive word of mouth (Wolfinbarger and Gilly, 2003). The causal connection among service quality and customer satisfaction has an immediate effect on customer loyalty. There has some argument about Relationship between Quality of Services and Customer satisfaction

Quality Services Enhance Customer Satisfaction - Strong positive correlation between the quality of services provided by a business and the level of customer satisfaction. Businesses consistently offer high-quality services; customers are more likely to be satisfied and can impact business performance.

Meeting and Exceeding Expectations - Emphasize that quality services often involve meeting or exceeding customer expectations. When customers receive what they expect or more, they are more likely to be satisfied and quality have achieved higher customer satisfaction ratings.

Repeat Business and Loyalty - High-quality services can lead to repeat business and customer loyalty. Satisfied customers are more likely to return for future purchases and become brand advocates, spreading positive word-of-mouth and contributing to the long-term success of the business.

Competitive Advantage - Businesses that consistently provide quality services often gain a competitive advantage. Quality is a differentiator in the marketplace, attracting more customers and helping the business stand out from competitors.

Relationship between Quality of Services and Business Performance

Higher Quality Services Lead to Improved Business Performance - In support of the statement, you can argue that there is a strong positive relationship between the quality of services offered by a business and its overall performance. You can provide evidence and examples to show that when a company invests in providing high-quality services, it tends to experience benefits such as increased customer satisfaction, customer loyalty, positive word-of-mouth, and ultimately higher revenue and profitability.

Competitive Advantage - High-quality services can give a business a competitive edge in the marketplace. You can argue that businesses that consistently deliver quality services are more likely to stand out from their competitors, attract more customers, and achieve long-term sustainability and growth.

Customer Retention - Quality services often result in higher customer retention rates. Loyal customers are more likely to make repeat purchases and refer others to the business, leading to a positive impact on business performance.

Reputation and Brand Building - Quality services contribute to building a positive reputation and strong brand for a business. A positive brand image can translate into increased sales, partnerships, and favourable relationships with stakeholders.

Conclusion

This study reviewed the existing literature examining on the impact of digital financial application quality on entrepreneurial business performance. The advantages of digital finance compared with traditional banking serve as an essential boost for achievement and a competitive advantage for entrepreneurs. This research tends to integrate the other sectors and digital channels that have not been studied so far and need more attention. It is understandable that data availability remained a big challenge due to privacy issues but a collaborative effort from academicians and practitioners could overcome it in future. The constant evolution of technology and complexity of products call for additional research. There are still numerous areas related to digital financial application quality and business performance that require deeper attention in future. The adoption of digitization has compelled the climate to embrace digital finance to boost business performance. However, the use of digital technology by rural businesses is hindered by the inadequate internet speeds prevalent in rural areas, so restricting their ability to fully embrace digitalization and potentially compromising the quality of service provided to customers. Hence, this study expects that this literature review and identified future research areas will provide useful guidance for the research community interested in digital financial application quality.

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