**THE ROLE OF DIGITALIZATION PERFORMANCE ON DIGITAL BUSINESS STRATEGIES IN MSMES IN INDONESIA**

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| **1. Abstract** |
| The existence of MSMEs (Micro, Small and Medium Enterprises) is an important part of the Indonesian economy which has an impact to the smallest layer. As every company in every industry and every size is affected by digitization, all companies must confront their strategic orientation and develop a digital strategy that is right for them. This quantitative research to get a clearer picture of the benefits of implementing digitalization/digital transformation in MSMEs. The data analysis used Partial Least Square and Structural Equation Modelling. We use purposive sampling technique, and the survey data was collected online during October-December 2021 (amid Covid-19 pandemic) and there were 367 respondents of MSME practitioner in 18 provinces in Indonesia. The results of the study found variables that had a positive and significant effect: digital business strategy on digitalization performance, digital literacy on digitalization performance, digital literacy on financial performance, digitalization performance on financial performance. The digital business strategy has no positive and significant effect on financial performance. However, through mediating the digitalization performance, digital business strategies have a positive and significant impact on financial performance. It is hoped that further research focused on small and medium enterprises. |
| **2. Introduction and research problem** |
| How are the efforts of MSMEs to survive and even continue to develop in the digital era through the implementation of digital business strategies through capabilities supported by digital literacy and how is the impact of digital business strategies on financial performance by mediating digitalization performance on MSMEs in Indonesia. |
| **3. Methods** |
| This quantitative research in data analysis used PLS-SEM. Pilot test use software SPSS 25 and to test the hypothesis use software SmartPLS version 3.2.9.  We use purposive sampling technique.  The survey data was collected online during October-December 2021 (amid Covid-19 pandemic) and there were 375 respondents of MSME practitioner in 18 provinces in Indonesia but 367 data that could be used. |
| **4. Results and findings** |
| There is a positive and significant effect: digital business strategy on digitalization performance, digital literacy on digitalization performance, digital literacy on financial performance, digitalization performance on financial performance. The digital business strategy has no positive and significant effect on financial performance. However, through mediating the digitalization performance, digital business strategies have a positive and significant impact on financial performance. |
| **5. Conclusions, implications and significance** |
| The results of the study show that financial performance in digitalization has not become a top priority for MSME actors because digitalization is still considered an additional cost. Therefore, stronger digital literacy is needed regarding more measurable results of digitization implementation. Considering that 90% of the respondents are micro-enterprises, it is hoped that further research focused on small and medium enterprises. |
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