



Good Corporate Governance in Digital Payment Systems: Strengthening Smes Competitiveness in Indonesia

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Abstract. *This study explores the role of Good Corporate Governance (GCG) in enhancing the competitiveness of Small and Medium Enterprises (SMEs) through the adoption of digital payment systems in Indonesia. Digital payments such as e-wallets, QRIS, and payment gateways have rapidly expanded in recent years, offering efficiency and market access for SMEs. However, issues related to transparency, accountability, security, and regulatory compliance remain significant challenges. The analysis focuses on how GCG principles transparency, accountability, responsibility, independence, and fairness are applied within digital payment systems and their implications for SMEs' performance. The results indicate that strong governance practices, such as transparent fee structures, reliable application security, independent audits, and clear regulatory frameworks, foster higher trust among users and enable SMEs to expand their market reach and financial sustainability. Conversely, weak governance and poor disclosure reduce adoption rates and expose SMEs to higher risks. This study concludes that strengthening GCG implementation in digital payment ecosystems is crucial for building trust, improving competitiveness, and ensuring long-term resilience of SMEs in Indonesia's digital economy.*

Keywords: Competitiveness, Digital Payment Systems, Good Corporate Governance, SMEs

1. Introduction

The rapid evolution of the digital economy has transformed the way business transactions are conducted globally. In Indonesia, one of the most significant developments is the adoption of digital payment systems, including e-wallets, QR code-based systems (QRIS), and payment gateways integrated into e-commerce platforms. These systems have become indispensable tools for businesses, particularly Small and Medium Enterprises (SMEs), which form the backbone of the Indonesian economy. SMEs contribute around 60 percent of Indonesia's Gross Domestic Product (GDP) and absorb more than 97 percent of the workforce (World Bank, 2020; OECD, 2022). The transition to digital payments provides SMEs with opportunities to increase efficiency, expand market reach, and improve customer experience. Yet, despite the potential benefits, challenges related to governance, security, transparency, and regulation persist (Rabbani, Wijaya, Kusuma, Purba, & Tajib, 2023). These issues raise critical questions regarding how principles of Good Corporate Governance (GCG) can be embedded in digital payment systems to ensure sustainability, trust, and competitiveness.

Digital payments are not merely technological tools; they represent financial infrastructure that connects businesses, consumers, financial institutions, and regulators. In this context, governance plays a central role in ensuring that systems operate effectively,

securely, and fairly. The importance of governance is further emphasized by the rapid growth of digital payment adoption during and after the COVID-19 pandemic. According to Bank Indonesia (2022), digital financial transactions in Indonesia reached a value of IDR 4,900 trillion in 2021, increasing more than 45 percent from the previous year, and were projected to grow steadily by 2025. This surge underscores both the opportunities and vulnerabilities associated with digital finance. Fraud, data breaches, unclear fee structures, and lack of accountability from providers are risks that threaten user trust and, consequently, SME competitiveness (Tempo.co, 2023).

The principles of Good Corporate Governance transparency, accountability, responsibility, independence, and fairness provide a framework to address these challenges (OECD, 2015; KNKG, 2019). In conventional corporate contexts, GCG ensures that organizations are managed in a way that balances the interests of shareholders, management, and other stakeholders. Applied to digital payment systems, these principles become equally essential. Transparency demands that digital payment providers disclose transaction fees, risks, and policies clearly to SMEs and consumers. Accountability requires providers to be answerable to regulators and stakeholders regarding their operations and compliance. Responsibility emphasizes the duty of providers to maintain the integrity of systems, protect user data, and ensure continuity of services. Independence calls for the avoidance of conflicts of interest, especially when providers belong to large conglomerates that may privilege their own ecosystem at the expense of small merchants. Fairness requires that SMEs of various sizes receive equal treatment, without discriminatory practices in pricing or access (Fauziah, Sudarma, & Saraswati, 2022).

In Indonesia, SMEs face a paradox: while digital payments open doors to modern markets, many remain skeptical about full adoption due to issues of trust and perceived risk. Research by Fauziah et al. (2022) revealed that SMEs' willingness to adopt QRIS depends not only on ease of use but also on perceived security and transparency of transactions. Similarly, Rabbani et al. (2023) demonstrated that application security significantly influences user trust, a factor strongly linked to the success of digital payment platforms. These findings suggest that the sustainability of digital payments for SMEs cannot be separated from governance mechanisms. Without trust, even the most advanced technology fails to deliver long-term value.

The relevance of GCG in digital payments can also be analyzed through theoretical lenses. Agency theory (Jensen & Meckling, 1976) highlights potential conflicts of interest between service providers (agents) and SMEs/consumers (principals). Without proper governance, providers may prioritize profit maximization over user protection, resulting in hidden costs or insufficient security investments. Stakeholder theory (Freeman, 1984) expands the analysis by underscoring the need to balance the interests of all parties, including SMEs, regulators, investors, and consumers. In digital payment ecosystems, stakeholders are diverse and interconnected, making governance a multi-layered necessity. The Technology Acceptance Model (Davis, 1989) adds another perspective, emphasizing that trust, perceived usefulness, and ease of use are determinants of adoption—factors heavily influenced by governance quality. Finally, the Resource-Based View (Barney, 1991) suggests that firms with strong governance frameworks gain competitive advantage because governance itself becomes an intangible resource that enhances credibility and efficiency.

The Indonesian government and financial regulators have taken steps to institutionalize governance in digital payment systems. The introduction of QRIS by Bank Indonesia in 2019, for example, was intended to unify QR-code payments and ensure

standardization, interoperability, and fairness across providers. The Financial Services Authority (OJK) also mandates transparency and consumer protection through specific regulations for fintech companies (OJK, 2021). Yet, enforcement remains inconsistent, and not all providers implement governance principles effectively. Many SMEs still report confusion regarding transaction fees, contract terms, and data privacy (Katadata, 2022). Such weaknesses illustrate a gap between formal regulations and practical governance.

In addition to regulatory challenges, socio-cultural factors influence governance in Indonesia's digital payment landscape. SMEs are highly heterogeneous, ranging from micro-entrepreneurs in rural areas to tech-savvy startups in urban centers. Many lack financial literacy, making them more vulnerable to opaque practices and less able to demand accountability (Alsa Krusnia et al., 2023). This situation places greater responsibility on providers and regulators to enforce governance practices proactively. Furthermore, the competitive environment among fintech companies sometimes incentivizes rapid growth over compliance, creating risks of negligence in governance.

From a global perspective, the link between digital payments and SME competitiveness is well established. In countries like Singapore, digital payment adoption has been supported by robust governance structures, resulting in higher trust and widespread usage (OECD, 2022). In contrast, in markets where governance is weak, digital financial inclusion has been uneven and sometimes associated with consumer harm. The Indonesian context offers a unique opportunity to learn from these global experiences while tailoring governance models to local conditions.

The urgency of strengthening GCG in digital payment systems also relates to the broader objective of inclusive and sustainable economic growth. Indonesia aims to become a digital economy powerhouse in Southeast Asia by 2030, with digital transactions projected to contribute significantly to GDP (McKinsey, 2022). SMEs, as major contributors to employment and output, must be equipped with trustworthy and reliable digital financial tools. Governance failures in this area could not only harm SMEs but also undermine national economic resilience.

Given this background, the present study seeks to analyze the role of GCG in enhancing SME competitiveness through digital payment systems in Indonesia. Specifically, the study addresses the following research questions:

1. How do GCG principles influence the effectiveness and adoption of digital payment systems by SMEs in Indonesia?
2. What governance challenges hinder the ability of SMEs to fully benefit from digital payment systems?
3. What policy and practical measures can be implemented to bridge governance gaps and strengthen SMEs' competitiveness?

The significance of this study lies in its potential to contribute both theoretically and practically. Theoretically, it integrates governance theories with digital payment literature, offering a conceptual framework for analyzing SME competitiveness in digital economies. Practically, it provides insights for regulators, fintech providers, and SME associations on how to build trustworthy ecosystems that balance innovation with governance. Ultimately, strengthening GCG in digital payments is not only about protecting consumers but also about ensuring that SMEs can thrive and compete in both domestic and global markets.

In conclusion, the introduction highlights the importance of digital payment systems as drivers of SME competitiveness in Indonesia while identifying governance as a crucial enabler. Weak governance practices threaten the sustainability of digital payment adoption, whereas strong adherence to GCG principles can transform digital payments into

powerful tools for inclusive and resilient economic growth. This sets the stage for further examination of methods, results, and discussions on how governance reforms can solidify the role of digital payments in Indonesia's economic transformation.

2. Methods

This study employed a systematic literature review (SLR) to explore how Good Corporate Governance (GCG) principles strengthen SMEs' competitiveness through digital payment systems in Indonesia. Sources from 2019–2025 were analyzed using Scopus, Google Scholar, and Garuda. The framework was guided by Agency Theory (Jensen & Meckling, 1976), Stakeholder Theory (Freeman, 1984), Technology Acceptance Model (Davis, 1989), and the Resource-Based View (Barney, 1991).

3. Results and Discussion

This study synthesizes the recent literature on Good Corporate Governance (GCG) within digital payment systems and its influence on the competitiveness of Small and Medium Enterprises (SMEs) in Indonesia. The analysis integrates empirical evidence, theoretical perspectives, and regulatory developments to generate a holistic understanding of how governance shapes SME performance and digital resilience. Three major themes emerge: (1) governance mechanisms that build trust and adoption, (2) institutional and behavioral determinants of governance effectiveness, and (3) the impact of governance on SME competitiveness and economic sustainability.

3.1. Governance Mechanisms that Build Trust and Adoption

Digital payment systems such as QRIS, GoPay, OVO, Dana, and ShopeePay have transformed Indonesia's financial landscape. However, studies reveal that adoption among SMEs hinges heavily on governance-related trust factors rather than on technology alone (Rabbani et al., 2023; Fauziah, Sudarma, & Saraswati, 2022). Transparency, accountability, and data security are repeatedly identified as the three pillars that determine user confidence.

Transparency, defined as the clarity of cost structures, settlement timelines, and data usage policies, is fundamental to SME trust. Empirical research on QRIS adoption demonstrates that transparent disclosure of transaction fees and interoperability standards directly enhances perceived usefulness and ease of use key constructs from the *Technology Acceptance Model* (Davis, 1989). When SMEs clearly understand service costs and payment procedures, they perceive digital platforms as less risky and more beneficial (Sulistyaningsih, Rahmawati, & Prasetyo, 2022).

Security is another decisive factor. In Indonesia, cyber threats and data breaches remain major concerns among SMEs, who often lack technical knowledge to safeguard transactions (Riyadi & Utami, 2021). Rabbani et al. (2023) find that fintech firms employing end-to-end encryption, multi-factor authentication, and transparent fraud monitoring achieve significantly higher user retention rates. Security mechanisms represent not only technological safeguards but also governance artifacts that signal accountability to users.

These observations align with Agency Theory (Jensen & Meckling, 1976), which posits that information asymmetry and conflicting interests between agents (service providers) and principals (users and regulators) can be mitigated through transparent monitoring and reporting systems. Effective governance mechanisms, such as periodic audits and independent oversight, reduce opportunistic behavior by providers and increase stakeholder trust.

Another essential governance aspect is responsibility, particularly in ensuring compliance with legal and ethical obligations. The Financial Services Authority (OJK) regulation No.13/POJK.02/2021 mandates digital payment providers to implement consumer protection mechanisms, data privacy standards, and disclosure requirements (OJK, 2021). Providers adhering to such frameworks demonstrate commitment to responsible corporate behavior fostering public trust and legitimacy (KNKG, 2019).

3.2. Institutional Enablers and Governance Constraints

While corporate policies form the micro-level foundation of governance, macro-level institutional support and social context determine its success. According to Stakeholder Theory (Freeman, 1984), GCG is effective only when all stakeholder interests SMEs, regulators, consumers, and investors are harmonized. In Indonesia's digital finance ecosystem, this balance remains uneven.

Regulatory authorities like Bank Indonesia (BI) and OJK have introduced frameworks such as QRIS standardization, digital transaction reporting, and cybersecurity certification (Bank Indonesia, 2022). BI reported that the total value of electronic money transactions reached IDR 439.4 trillion in 2022, with a projected annual growth rate of 20% (Bank Indonesia, 2023). These achievements indicate regulatory progress but also underline the need for stronger enforcement and literacy among SMEs to understand and comply with governance requirements.

Financial and digital literacy plays a mediating role between governance design and SME adoption. Alsa Krusnia et al. (2023) and Sakti, Rahman, & Wibowo (2025) found that SMEs with higher literacy are more capable of evaluating contract terms, interpreting risk disclosures, and identifying fraudulent offers. In contrast, low-literacy merchants tend to adopt digital payments based on convenience rather than informed decision-making, increasing their exposure to unfair practices. This literacy divide highlights a weakness in the *fairness* dimension of GCG.

Socio-cultural barriers also influence governance outcomes. Indonesia's SME sector is dominated by microenterprises with informal governance structures and strong hierarchical relationships, which sometimes discourage critical questioning of service providers (World Bank, 2020). The resulting "trust dependency" makes SMEs vulnerable to asymmetric information. Hence, governance cannot rely solely on regulations it must be contextualized within local behavior and culture.

At the same time, competition among fintech providers has created a "growth-first" mindset that prioritizes user acquisition over compliance. McKinsey (2022) warns that unchecked competition and lack of independent audits can result in systemic risk, as firms race to expand without establishing robust internal controls. The Resource-Based View (RBV) (Barney, 1991) frames governance as a strategic capability that can differentiate firms in a competitive landscape. Providers that invest in governance such as secure systems, audit transparency, and ethical marketing create intangible assets that strengthen brand reputation and user loyalty.

From an Institutional Theory perspective (DiMaggio & Powell, 1983), fintech firms increasingly conform to regulatory norms to gain legitimacy and market acceptance. However, this institutional isomorphism remains partial, especially among small providers outside major cities. Without continuous monitoring, regulatory compliance risks becoming symbolic rather than substantive.

3.3. Governance and SME Competitiveness Outcomes

Strong governance directly enhances SME competitiveness by improving operational efficiency, customer trust, and access to finance. A longitudinal study by Purnomo, Handayani, & Lestari (2024) found that SMEs adopting digital payments under transparent and standardized systems reported average revenue growth of 18% per year significantly higher than SMEs relying solely on cash transactions. Transparent digital records also facilitate access to bank credit and government microfinance programs, as financial institutions can verify cash flow and transaction histories (OECD, 2022).

Conversely, poor governance manifested in opaque pricing, unreliable dispute mechanisms, and weak cybersecurity deters adoption and erodes competitiveness. Tempo (2023) reported several cases of unlicensed fintech applications defrauding merchants through hidden charges and unauthorized fund transfers, revealing gaps in regulatory enforcement. Such incidents decrease user trust, leading to higher churn rates and reduced transaction volumes (Sulistyaningsih et al., 2022).

Governance strength also influences innovation capability. SMEs integrated into transparent, well-regulated payment ecosystems are more likely to adopt complementary technologies such as e-invoicing and digital accounting (Rabbani et al., 2023). This technological spillover effect enhances productivity, enabling SMEs to compete in both local and global markets.

Comparative studies emphasize Indonesia's transitional position. OECD (2022) and McKinsey (2022) note that while Indonesia's QRIS framework is a milestone in governance innovation, gaps remain in consumer data protection and cross-platform interoperability compared to Singapore and Malaysia. In those countries, governance systems integrate real-time risk analytics, public audit disclosures, and multi-agency supervision features still being developed in Indonesia's ecosystem.

Theoretically, these findings reinforce the *Technology Acceptance Model* (Davis, 1989): trust shaped by governance mediates between perceived ease of use and adoption. The *Stakeholder* and *Agency* frameworks explain why accountability mechanisms such as audits, independent boards, and whistleblowing systems are essential for maintaining long-term legitimacy. Meanwhile, RBV conceptualizes GCG as a dynamic resource enabling firms and ecosystems to achieve sustained competitive advantage through reputation and operational excellence.

3.4. Policy and Practical Implications

Based on literature synthesis, four interrelated policy directions are identified:

- a. Deepening Regulatory Integration. Coordination between Bank Indonesia, OJK, and the Ministry of Cooperatives should be enhanced to avoid fragmented oversight. Joint audit frameworks and interoperable data-sharing platforms would strengthen enforcement and standardization (OJK, 2021; Bank Indonesia, 2023).
- b. Mandatory Governance Disclosure. All payment providers especially fintech startups should publicly report audit results, fee structures, service-level metrics, and complaint-resolution statistics. This transparency would operationalize the accountability principle and allow SMEs to make informed platform choices (Rabbani et al., 2023; KNKG, 2019).
- c. Nationwide SME Literacy Programs. Regulatory and educational institutions must institutionalize financial-digital literacy curricula targeting SMEs in rural regions. Evidence from Sakti et al. (2025) and Alsa Krusnia et al. (2023) shows literacy improvements significantly raise adoption intent and governance awareness.

- d. Fair Competition and Independence. To uphold the *independence* and *fairness* principles of GCG, antitrust policies should monitor conglomerate dominance in the payment ecosystem, ensuring small providers and SMEs have equal access to market infrastructure (OECD, 2022).

4. Conclusions

The review highlights that the integration of Good Corporate Governance (GCG) principles transparency, accountability, responsibility, independence, and fairness plays a decisive role in shaping the effectiveness of digital payment systems for SMEs in Indonesia. Transparent disclosure of transaction costs and policies ensures that SMEs can operate with confidence and plan their financial strategies effectively. Strong accountability and regulatory compliance from payment providers foster trust, while responsibility in safeguarding data and ensuring system security protects both SMEs and their customers. Independence minimizes conflicts of interest, particularly in ecosystems dominated by large corporations, while fairness guarantees that SMEs of all sizes gain equal access to digital financial infrastructure.

Conversely, weak governance practices generate risks such as hidden costs, cybersecurity vulnerabilities, discriminatory treatment, and regulatory non-compliance, which undermine SMEs' competitiveness and discourage digital adoption. The findings confirm that governance is not merely a compliance requirement but a strategic resource that strengthens SMEs' resilience and capacity to compete in dynamic markets.

Strengthening GCG implementation in digital payment ecosystems is therefore essential for Indonesia. It not only protects SMEs and builds consumer trust but also supports national ambitions to establish Indonesia as a leading digital economy in Southeast Asia by ensuring inclusivity, sustainability, and long-term economic resilience.

Acknowledgements

The author would like to express sincere gratitude to all parties who contributed to the completion of this study. Special appreciation is extended to academic mentors and colleagues for their valuable insights and constructive feedback during the research process. The author also acknowledges the contributions of various scholars and institutions whose publications and reports provided essential references and enriched the literature review. Finally, heartfelt thanks are given to family and peers for their continuous encouragement and support throughout the preparation of this manuscript.

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