

UTILIZATION OF FINANCIAL TECHNOLOGY IN INCREASING THE INCOME OF MSMEs IN INDONESIA

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Abstract: *The use of technology in the business sector has evolved into a requirement that cannot be disputed in order to support the efficient operation of corporate activities. Identifying current customer demands is a quick and efficient service. Today's technological advancements, including financial technology, present certain opportunities to business actors. The purpose of this study is to determine the role of financial technology in increasing MSME income. In this investigation, descriptive and qualitative data are analyzed. Secondary data from documents, the Central Bureau of Statistics (BPS), the Indonesian Ministry of Cooperatives, and SMEs are used in the methodology. The authors of this study used a triangulation method. In this study, the analysis processes included data reduction, data display, and, finally, conclusion-making. According to the study's findings, Fintech holds new promise for the growth of MSMEs in Indonesia. Capital and financing issues, as well as the difficult nature of the capital acquisition procedure, can be resolved with the assistance of the fintech loan program.*

Keywords: *Financial Technology, MSMEs, Utilization, Income*

1. Introduction

Technology users are rapidly expanding in today's modern day to address human wants for knowledge and several other electronic services. Technology advancements in the current digital era are crucial for business players to build and manage their companies so that they can keep operating with the intention of generating more revenue. It is no longer possible to avoid using technology in the business sector to aid in the efficient operation of these business activities. As a result, obtaining indicators between relationships within a corporate activity as well as human activities on an environmental scale has become much easier. This allows entrepreneurs to expand their client base and revenue through the process of producing goods and providing services (Ansori, M. 2019, Amelia, N. U. 2021).

Technology advancements to date, including financial technology, present business actors with certain opportunities. With the use of digital device technology, the internet, social media, and a number of additional programs, like Gopay, Dana, Ovo, Doku Wallet, Link Aja, Shopeepay, and many more, this financial technology allows users to conduct financial transactions without having to physically meet.

Financial technology is the outcome of the fusion of financial services and technology, which shifts the business model from conventional to moderate. Rather than initially requiring in-person payments and the carrying of a certain amount of cash, remote transactions can now be completed with the help of payments that can be made in a matter of seconds. Purnomo, N. A., Zen, M., Rachmi, T. N., Sunardi, N., and Raharjo, K. (2022).

2. Literature Review

2.1 MSMEs

The 1945 Constitution, which was later strengthened by TAP MPR NO. XVI/MPR-RI/1998, states that in order to implement economic politics within the framework of economic democracy, micro, small, and medium-sized businesses must be given the necessary support. These businesses are an essential component of the people's economy and have the position, role, and strategic potential to build a more stable, growing, and just national economy. (Utami, I. A. 2021) Suci, Y. R. 2017, At the very least, the following examples show the importance of MSMEs to the Indonesian economy:

1. Its position as a major player in economic activity in various sectors;
2. The largest provider of employment;
3. Important player in the development of local economic activities and community empowerment;
4. Creator of new markets and sources of innovation;
5. Its contribution in maintaining the balance of payments through export activities (KEMEN KUKM, 2005).

2.2 Financial Strategy

Financial Technology is a term used to describe the innovative and creative use of financial technology to efficiently design and deliver financial products and services that have the primary objective of reducing financial institution infrastructure costs and do not need to have a network of branches or offices or a large number of employees to operate. Serving customers of all types of companies. Financial technology is a collaboration between financial services and technology whose presence makes it very easy for people to run their business. However, in reality the quality of service in Indonesia is currently still minimal in accessing people at all levels. (Prayustika, P. A. 2020, Retnosari, R 2020) Fintech provides many financial solutions, especially for small and medium businesses that want to develop. Fintech developments are expected to be more inclusive. (Artika, D., 2021, Laut, L. T 2019)

2.3 Income

Economics' definition of income stresses the amount of static value at the conclusion of the period and takes into account the likelihood of changes in more than just the business entity's total assets at the beginning of the period. In general, income is equal to the assets' initial value plus any changes in valuation that are not brought on by changes in capital or debt (Eryanto, 2013. Firdausa, 2012).

3. Research Method

This journal was put together using descriptive qualitative research as the research methodology. The qualitative descriptive analysis method is a research technique that is used to explain current processes or occurrences that are made the subject of study. Data or information is then studied to find a solution to the issue at hand. Secondary data in the form of documents gathered from publication data makes up the utilised data. The Central Bureau of Statistics, the Indonesian Cooperative Service, and UMKM are the authors' primary data sources.

4. Result and Discussion

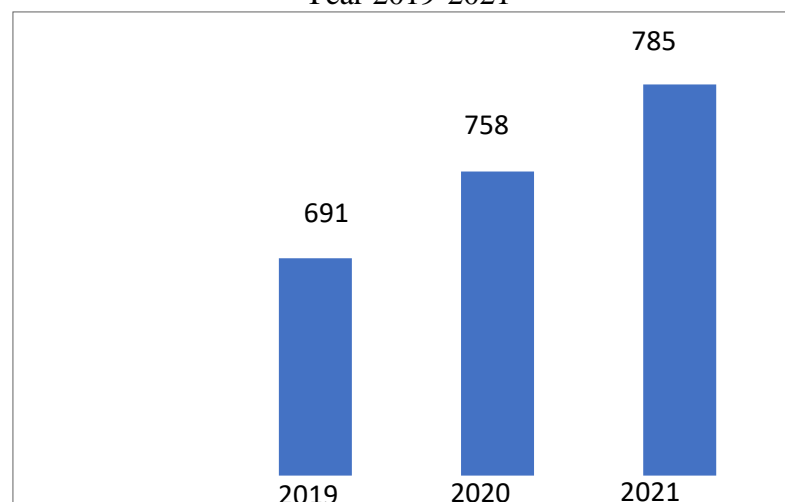
The following are the results of statistical analysis for hypothesis testing and discussion of

statistical analysis testing.

4.1 Contribution to Increasing MSME Financial Inclusion in the country

Financial stability in Indonesia was negatively impacted by financial inclusion following the 2008 financial crisis. The Micro, Small and Medium Enterprises (MSMEs) industry is one of the industrial sectors that can still exist and have no effect. The importance of financial technology to the global economy is expanding quickly in the current era of globalization.

Number of Fintech Companies in Indonesia
Year 2019-2021



Source: UOB, PwC, dan SFA

According to reports from United Overseas Bank (UOB), PwC, and the Singapore Fintech Association (SFA), Indonesia has an increasing number of financial technology (fintech) businesses each year. This is consistent with the nation's rapidly increasing use of digital finance. According to statistics, Indonesia had 691 units in 2019 and 758 units in 2020. As of September 2021, there were 785 fintech businesses, an increase of 3.56%. Meanwhile, the number of fintech in Indonesia is the second largest in Southeast Asia. The first position is occupied by Singapore with 1,350 fintech companies. Malaysia is under Indonesia with 549 fintech companies. Meanwhile, the Philippines and Vietnam both have 268 fintech companies. (Read: Fintech Lending Loan Disbursement Decreases in October 2021)

Indonesia is one of the countries with the fourth largest population in the world with a total population of 255 million people. This large population must be balanced with the number of jobs created. Indonesia must independently overcome this by supporting businesses established by domestic children. The presence of a number of fintech companies has contributed to the development of MSMEs. Not only limited to helping finance business capital, the role of Fintech has also penetrated into various aspects such as digital payment services and financial arrangements. Here are some Fintech services for MSMEs.

1. Capital Loans

Fintech companies are here to provide capital loan services with a simpler submission process than conventional financial institutions such as banks without the need to submit collateral and just complete a few document requirements, this online loan service is an alternative to conventional loans from banks or other loan companies. Loans submitted can be disbursed in a relatively short time, which is less than a week. Several fintechs provide online loan services such as Modalku and Pinjam.com

2. Digital payment service

Fintech companies also provide digital payments that are easier and safer for businesses. With an easy and safe payment process, this will be able to attract more consumers so as to provide benefits for business people. One of the Fintech that provides digital payments is the Jenius application, which synergizes with online transportation service companies

3. Financial arrangement services

Applications that provide financial management functions are numerous. The goal of this innovation is to aid MSME companies in managing their financial operations. The services offered include free financial advising, cost tracking, and performance monitoring of investments. Several Fintech businesses, such Dompot Sehat and Ngatur Uang.com, offer financial regulatory services. People living in rural places should be given special consideration by the government so they can benefit from advancements in technology. To be able to become a developed country, it seems that the government can develop the Indonesian economic sector with a digital system so that the MSME sector can advance to the international realm. Economic growth can be achieved when productive resources can be optimally utilized and allocated evenly. The goal of economic development is to achieve the main goals of creating prosperity and reducing inequality.

There are three important roles for MSMEs, namely a means of lifting people out of poverty, a means of leveling the economy of the poor and providing foreign exchange income for the State. With a very important role owned by MSMEs, Fintech will be able to develop more advanced and be able to welcome Indonesia as one of the largest Digital Economy Countries in the future.

This financial technology has great potential to drive financial inclusion. Fintech helps provide financial products to people who cannot access banking services. Technology allows people to use financial services safely, comfortably and affordably. In addition, fintech also offers advantages for MSMEs in channeling capital. So that MSMEs can develop faster and is a good step for economic recovery.

The financial inclusion index for Indonesia has improved from 67% in 2017 to 76.2% in 2019, according to the chairperson of the Indonesia Fintech Society (IFSoc). The government's goal of achieving 90% financial inclusion by 2024 can be helped by fintech. This is also consistent with the coordinating minister for the Economy's assertion that fintech provides significant economic and social benefits and is vital to advancing the country's economic recovery program (aptika.kominfo.go.id, 2020).

4.2 Ways to Boost the Living Standards of MSME Managers

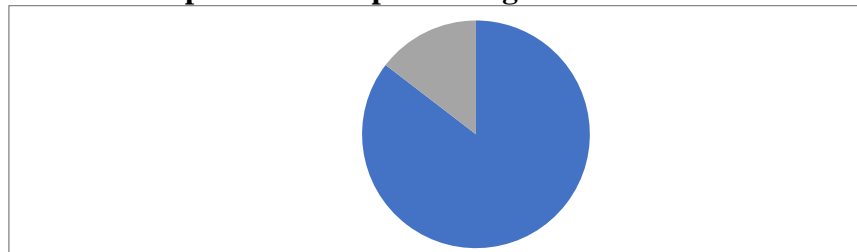
MSME actors need to think carefully about how to manage finances properly. In a pandemic like today, MSMEs really need good financial planning to maintain a steady flow of business income amidst difficult economic conditions. This is driven by financial literacy so that MSME actors can improve their standard of living and income level. The problem that arose during this pandemic was the MSME financial reports that did not support the data requested by financial institutions, so that business capital loans became more difficult to obtain, because financial reports did not comply with the rules required by financial institutions. Thus, knowledge about proper financial management is still very much needed by MSME actors (Amelia, A 2022).

MSME business owners always follow some basic rules when conducting business planning. Because MSMEs can learn what is done when experiencing losses and earnings through accounting. MSMEs can provide the funding for a high standard of life when their

profits rise as a result of sound financial management (Soerjono, S., Ariwibowo, P 2018).

A person's behavior is a means of responding to something that has been formed through them. Individual financial behavior is a mindset that develops when a person is capable of thinking through and planning how to create a budget so that he is able to save, accept financial risks, and match requirements with the budget required for the sustainability of his business (Susanti, A 2018).

MSME entrepreneur data per management status in 2010-2023



No	Category	Value
1	Owner and Manager	81,67
2	Owner	18,33

From the data above it can be seen that MSME owners and managers dominate rather than just owners. This can be taken from the result that in order to boost the life of MSMEs, we must have both so that we can change the order of life.

4.3 MSME Financial Flexibility

The Industrial Age 4.0, in which technology is still evolving and where customers are increasingly demanding quick and satisfactory services, has had an impact on economic access services. To suit their needs, using different applications on smartphones or other devices has grown popular. Winarto (2020) asserts that the rise in ownership of financial goods and services is a manifestation of a rise in financial literacy brought on by Fintech growth. This has an effect on how MSME owners employ financial technology to support their business operations. Financial technology is also evolving. Due to consumer demand, convenience, security, and financial technology improvements, MSME owners must use fintech (Ningsih, D. R. 2020, April).

Financial literacy among MSME businesses can be raised through cooperation between banking and financial technology (Fintech). Additionally, the government has been actively pushing for a national non-cash transaction movement up to this point. so that transactions lead to a society where less currency is used. Smartphone users' use of Fintech services may be the solution to the government's aim to create a less cash-dependent society. This is due to Indonesia's high mobile phone user population. "Indonesia's smartphone adoption rate is higher

than its bank account adoption rate. We can draw the conclusion that Fintech can help MSMEs become more financially literate. 2020 (Winarto, W. W. A.).

The Effect of Industrial Sector GRDP Variables on the Human Development Index

The fintech industry is viewed as being more flexible and less rigid than traditional financial enterprises because it is less regulated and has less prerequisites for starting a business. Young entrepreneurs could consider the fintech industry. Fintech has shown that it can reach a range of demographics, including the upper class, millennials without access to financing, and micro- or MSMEs that young entrepreneurs are just starting to deal with. Additionally, fintech firms make it simple for small enterprises to obtain funding for business expansion. Compared to bank finance, which often supports large and medium-sized funding, this is significantly different. Fintech is undoubtedly helpful in simplifying the procedure of public financial transactions. The general public will also receive financial services, such as payment methods that are simpler and more useful, loans, transfers, and alternative investment products. Fintech allows users to use their computers or mobile devices to safely access financial services at any time, anywhere, and while connected to the internet. Yoga, M. P., Yandri, and Purwanto, H. 2022).

With some of the aforementioned justifications, financial technology represents fresh promise for the growth of MSMEs in Indonesia. With the help of the fintech loan program, capital and financing issues as well as the challenging nature of the capital acquisition procedure can be resolved. Fintech provides a wide range of financial options, particularly for growing small and medium-sized businesses. Fintech loans and MSME financing schemes need to be supported by effective procedures and control systems. This avoids late payments in the future. Additionally, public financial institutions are required to offer proactive help through a variety of legislative tools and tactical initiatives.

According to dataindonesia.id, 62% of financial technology providers (fintech) have MSMEs as their target market, according to studies from the Indonesian Fintech Association (Aftech). Of this total, 42% of fintech companies said that MSMEs accounted for transactions with values above IDR 80 billion. Fintech accounts for 19% of MSMEs' transactions with values between IDR 3 and 10 billion and IDR 0.5 and 3 billion. A transaction value from MSMEs under IDR 500 million was recorded by as many as 12% of fintech companies. The remaining 4% of fintech transactions from MSMEs have a value of IDR 35–80 billion. Fintech, which receives transaction values from MSMEs of IDR 10-35 billion, has the similar percentage.

The above shows that, MSMEs can be said to be the majority of the value of financial transactions from this financial technology. In this way, the existence of fintech in the Indonesian economy also has a very positive impact on the financial transaction chain. The factors inherent in fintech are due to the demands of the times and financial markets. Almost all financial transactions can be processed through fintech. In fact, fintech is replacing traditional banks and complementing Indonesia's financial chain. Because the presence of fintech can strengthen the state financial ecosystem.

5. Conclusion

5.1 Conclusion

Referring to the results of the previous analysis and discussion, it can be concluded as follows.

In light of the findings of the earlier investigation and discussion, the following conclusion can be drawn. Financial technology combines technology and financial services, and it is used to conduct remote financial transactions without having to meet in person. It uses digital device

technology, the internet or social media, as well as a number of other applications, including Gopay, Dana, Ovo, Doku Wallet, LinkAja, Shopeepay, and many others.

In the current era of globalization, the role of financial technology is growing rapidly for the world economy, especially in Indonesia. The presence of a number of fintech companies has contributed to the development of MSMEs in Indonesia. Not only limited to helping finance business capital, the role of Fintech has also penetrated into various aspects such as digital payment services and financial arrangements.

A new possibility for the growth of MSMEs in Indonesia is fintech. With the help of the fintech loan program, capital and financing issues as well as the challenging nature of the capital acquisition procedure can be resolved. Fintech provides a wide range of financial options, particularly for growing small and medium-sized businesses. Fintech loans and MSME financing schemes need to be supported by effective procedures and control systems. This avoids late payments in the future. Additionally, public financial institutions are required to offer proactive help through a variety of legislative tools and tactical initiatives.

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