



# The role of fintech in improving financial literacy in micro, small and medium enterprises in Subang

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## ABSTRACT

This study aims to analyze the role of financial technology in UMKM in Subang to improve financial literacy. In this study, researchers took three samples at random, from Subang Regency and Subang City. Analysis of the data used in this study is to use data reduction data and then the presentation of the data and the last is drawing conclusions. The results of the study showed that the four informants as a whole accepted the presence of fintech because fintech could assist UMKM actors in providing convenience and efficiency in terms of technology-based financial management, including digitizing financial reports, payment technology and online loans. However, of all the roles of fintech, UMKM actors in this study did not fully know what the role of fintech was because of the lack of socialization about fintech in UMKM. Most UMKM actors still choose to pay for business capital, many still choose banks because banks are trusted and there are legal institutions that regulate them. Of the four UMKM actors, the impact after using fintech is more positive or the many benefits obtained after registering for fintech for their business, the more efficient and effective business activities are, which makes the implementation of fintech and the development of the times to demand business people to use fintech which has many advantages to improve literacy. finance for UMKM.

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## 1. INTRODUCTION

Technological advances also affect the financial sector in Indonesia. The emergence of various financial service industries seems to be a new trend in society. Indirectly, this has become a manifestation of the development of the world (business) with technology, which has given birth to various technology products and services, one of which is the presence of Financial Technology (Fintech). Fintech technology continues to develop and increase in significant numbers. Based on data released by the Financial Services Authority (OJK), the number of registered Fintech companies reached 164 companies, with a total of 25 Fintech companies. This number increased from November 2019, which reached 144 companies

According to the staff of the OJK Licensing Directorate, Audy Ramzie (quoted from the Republic of Indonesia), the significant increase in the number of Fintech companies every quarter is due to the high demand from the public and the increasing digitization growth factor.

In carrying out its operational activities, Fintech provides convenience in service. The public can access the Fintech only through smartphones or PC media. Fintech utilizes media

applications and websites in its services. Because of this system, people can make transactions or apply for capital loans more effectively and efficiently. This condition is different from the services provided by conventional banks

The development of Fintech and the ease of service provided is certainly a potential for the community to carry out entrepreneurial activities. Fintech provides capital lending services quickly and easily. In economic development, Fintech can bring great opportunities and potential in the development of MSMEs in Indonesia. MSMEs, which in general, have difficulties in financial and capital aspects, through Fintech services, are expected to be able to overcome these problems.

Micro, Small and Medium Enterprises (MSMEs) have a big role as an effort to increase economic development in Indonesia, economic growth and create new jobs. Currently, the number of MSMEs in Indonesia continues to increase and develop with various sectors. With the increase and development of MSMEs, it is expected to increase the Gross Domestic Product (GDP) and absorb more new workers to reduce unemployment and poverty. Due to the large number of SMEs that have sprung up, the competition is getting tougher. (Evy Nur Sugiarti, Nur Diana, 2019)

If this dynamic and transformation (Fintech) is not managed properly, there is concern that it will disrupt our financial system and economy. Including the impact on MSMEs who have difficulty getting capital assistance. The stability aspect remains important and should remain a major concern, including when the role of Fintech and digital financial services becomes increasingly significant in the economy. Therefore, strategies and breakthroughs are absolutely necessary so that these dynamics do not cause unexpected impacts. For MSMEs, Fintech helps MSMEs to get convenience and efficiency in the financial area. (Wachyu & Winarto, 2020)

Based on previous research conducted by Winarto (2020) shows that Fintech plays a role in financial inclusion in Indonesia through MSMEs in Pekalongan Regency, Batang Regency, and Pematang Regency. This can be seen from the number of people who use applications and collaborate with various Fintechs. Fintech provides convenience in providing loans or access to business financing.

According to Dorfleitner, Hornuf, Schmitt, & Weber (2017), FinTech is a very fast and dynamic moving industry where there are many different business models.

According to Pribadiono, Hukum, Esa, & Barat (2016), Financial Technology (FinTech) is a combination of technology and financial features or it can also be interpreted as innovation in the financial sector with a touch of modern technology.

According to Hsueh (2017), Financial Technology, also referred to as FinTech, is a new financial service model developed through information technology innovation. So according to the author, Financial Technology is a service that combines technology and finance where this service provides innovation to business.

This study aims to determine the role of Fintech in improving Financial Literacy in Micro, Small and Medium Enterprises in Subang. Because of this purpose, this article is organized into two main problems. First, how is MSME Knowledge of Fintech? Second, How to Apply Fintech to MSMEs

Financial technology The National Digital Research Center (NDRC) is defined as "innovation financial service" An innovation in the financial sector that gets a touch of technology. Activities that can be carried out through financial technology include payments, investments, money loans, transfers, asset management and comparison of financial products that can be done quickly using technology in Muchlis (2018; 343). Bank Indonesia defines Financial Technology as a combination of financial services and technology which ultimately changes the business model from conventional to moderate, which initially makes payments face-to-face and carries a certain amount of cash, now can conduct long-distance or non-cash transactions by making payments. which can be done in a matter of seconds Marginingsih, (2019; 57). Wiranto (2020;63). Financial technology is a combination of technology and financial services, which eventually developed into a business model from conventional to online, transactions can be made online without having to meet face-to-face besides that transactions can also be done in seconds Wiranto (2020; 63) According to Bank Indonesia (2016) Financial Technology has the following indicators: a. Crowdfunding and peer to peer (P2P) lending This classification is based on the function of the platform, namely as a meeting place for capital seekers and investors in the loan sector. This

platform uses information technology, especially the internet, to provide easy lending and borrowing services. b. Market aggregator This category is a medium that collects and collects financial data from various data providers to be presented to users. This financial data can then be used to make it easier for users to compare and choose the best financial products. c. Risk and investment management The following categories are classifications for services to users in order to plan and find out financial conditions at any time and in all circumstances. d. Payment, settlement, and clearing Financial technology services in this category function to make it easier for users to make payments online and can be done quickly.

Financial Literacy, A business person must have the ability to plan, implement and supervise the implementation of financial management in his business. Business people must also be able to make decisions effectively and efficiently so that their business generates maximum profits. To make effective and efficient financial decisions, a business person must have good knowledge of financial management, this ability is known as financial literacy.

Financial literacy is related to a person's competence to manage finances. The definition of financial literacy according to Vitt et. al. (in Huston, 2010): Personal financial literacy is the ability to read, analyze, manage and communicate about the personal financial condition that affects material well-being. It includes the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future and respond competently to life events that affect everyday financial decisions, including events in the general economy

Financial literacy occurs when individuals have a set of skills and abilities that enable them to utilize available resources to achieve goals. Huston (2010) stated that financial knowledge is an inseparable dimension of financial literacy, but has not been able to describe financial literacy. Remund (2010) states that the four most common things in financial literacy are budgeting, savings, loans, and investment. Financial management is a process intended to manage the functions of finance effectively and efficiently. Mulyasa (2002) states that financial management is divided into three phases, namely financial planning (budgeting / financial planning), implementation (implementation), and evaluation (evaluation).

The results of a study conducted by Fatoki (2014) stated that most of the owners of micro, small and medium enterprises were not bound by financial planning, budgeting and financial control. Other results state that there is a positive relationship between formal financial control, control systems and business success.

Chen and Volpe (1998) define financial literacy as the ability to manage finances so that life can be more prosperous in the future. The results of a study conducted by Fatoki (2014) show that the financial literacy of micro business owners in South Africa is still below average. The same thing was also expressed by Oseifuah (2010) who concluded that the financial literacy of young entrepreneurs in South Africa is still low. According to Manurung (2009:24) financial literacy is a set of skills and knowledge that allows an individual to make decisions and be effective with all their financial resources. Meanwhile, according to expert opinion (Kaly, Hudson and Vush 2008) in Widyawati's research (2012), it means that financial literacy is the ability to understand financial conditions and financial concepts and to change that knowledge appropriately into behavior. The Presidents Advisory Council Of Financial Literacy in Krisna's research (2008) also defines financial literacy as the ability to use knowledge and expertise to manage financial resources in order to achieve prosperity.

According to Lusardi (2007) in Krisna's (2008) research, financial literacy can be interpreted as financial knowledge with the aim of achieving prosperity. This can be interpreted that preparations need to be made to meet globalization, more specifically the globalization of problems in the financial sector. Meanwhile, according to Houston (2010) in Widyawati's research (2012) states that financial literacy occurs when individuals have a set of skills and abilities that make that person able to utilize available resources to achieve the expected goals. Remund (2010) in Widyawati's research (2012) states that there are four most common things in financial literacy, namely budgeting, savings, loans, and investment. Financial literacy does not only involve knowledge and ability to deal with financial problems but also non-cognitive attributes

According to the Financial Services Authority (2013), which states that by definition literacy is defined as the ability to understand, so financial literacy is the ability to manage funds owned so

that they develop and live more prosperously in the future, OJK states that the important mission of the financial literacy program is to provide education in the field of finance to the Indonesian people so that they can manage finances intelligently, so that low knowledge of the financial industry can be overcome and the public is not easily fooled into investment products that offer high returns in the short term without considering the risks. To ensure public understanding of the products and services offered by financial service institutions, the national financial literacy strategy program has launched three main pillars. First, promoting education programs and national financial literacy campaigns. Second, in the form of strengthening financial literacy infrastructure. Third, talk about the development of affordable financial products and services. The implementation of these three pillars is expected to be able to realize Indonesian people who have a high level of financial literacy so that people can choose and utilize financial service products to improve welfare.

The author concludes that financial literacy is a way to help provide an understanding of managing finances and opportunities to achieve a more prosperous life in the future. In other words, financial literacy can be used as a tool that a person or individual needs to improve if they want to have passive income that exceeds active income.

Measurements carried out by previous researchers used several kinds of indicators related to financial literacy. Referring to the research of Chen and Volpe (1998), financial literacy can be measured using 4 (four) indicators, namely knowledge of Crowdfunding and peer to peer (P2P) lending, Market aggregator, Risk and investment management, Payment, settlement, and clearing.

Micro, Small and Medium Enterprises (MSMEs), Central Bureau of Statistics, 2019 small businesses are businesses that have a number of workers ranging from 5 people to 19 people, while medium businesses are businesses that have a workforce ranging from 20 people to 99 people Wibowo (2015;64) MSMEs or ordinary in call micro, small and medium enterprises in the form of a term that refers to a business that can be founded by individuals or even founded by two or more people. Based on law Number 20 of 2008, micro, small and medium enterprises can be defined as follows Wahyuningsih (2019; 85). a. Micro Business is a productive economic business owned by individuals who have met the criteria for micro businesses that have been regulated in the law. b. Small Business is a productive economic business that can stand alone and is managed by individuals and business entities that are not in the form of subsidiaries or even branch companies as regulated in this law. c. Medium Enterprises are productive economic businesses that can stand alone, which can be managed by individuals and business entities that are not in the form of subsidiaries that are controlled and owned and even become a direct and indirect part of small businesses and large businesses that have a total net worth in annual sales. as provided for in this law.

**Table 1.** MSME Criteria

No	Business	Asset Criteria	Turnover Criteria
1	Micro business	Maximum 50 million	Maximum 300 million
2	Small business	>50 million – 500 million	>300 million – 2.5 M
3	Medium Enterprise	>500 million – 10 M	>2,5 M – 50 M

## 2. METHODS

### 2.1 Research Design

This study uses a qualitative descriptive approach, which is looking for a description of a phenomenon that occurs and is interpreted in the form of descriptive writing.

### 2.2 Data Collection Method

Data collection methods used are as follows: Observation is direct observation of decision makers and their physical environment and or direct observation of an ongoing activity. An interview is a conversation of two or more people that takes place between a resource person and an interviewer with the aim of collecting data in the form of information. Therefore, the interview technique is one way of collecting data, for example for certain research. Literature Studies According to Sugiyono (2015:140)[14] "Library studies are related to theoretical studies and other references related to

values, culture and norms that develop in the situation under study, this is because research cannot be separated from scientific literature" .

### **2.3 Data Analysis Method**

This research takes place in 3 Subang SMEs, one of which is located at Jl. Ampera-sukamandijaya, Sukamandi District, Subang Regency. The type of data used in this study uses qualitative data, according to Sugiyono (2017: 10) Qualitative data are data in the form of words, sentences, narratives, gestures, facial expressions, charts, pictures and photos (Akhir et al., 2021). ) In collecting qualitative data research Sialamba Geprek Chicken, Coknas Subang, West Java by direct interviews with business owners.

## **3. RESEARCH RESULTS AND DISCUSSION**

### **3.1 Description of MSME Resource Persons**

a. Yummy-yam sieeh

An MSME engaged in the food industry in Subang Regency. Yummy-yam Sieteh produces various variants of Rice Bowl with various flavors and was established in 2012. Yummy-yam Sieteh besides being a distributor of Rice Bowls also sells its products directly to consumers. The Yummy-yam Sieeh outlet accepts electronic payments using fintech under the Gopay brand. The respondent of this object is the owner of Yummy-yam Sieteh.

b. Sialamba Geprek Chicken

An MSME engaged in the food industry in Subang City, to be precise, is Kartawigenda. Ayam Geprek Siamba is an MSME that produces Chicken Geprek combined with a chicken geprek recipe that was established in 2019. Outlets from siamlamba accept electronic payments using fintech with the OVO brand. The respondent of this object is the owner of Sialamba

c. Coknas

An MSME that is engaged in the food sector, especially in the sale of snacks or snacks, which has been established since 2013. Coknas accepts electronic payments using fintech with the OVO brand. The respondent of this object is the owner of Cocknas.

### **3.2 The Role of Fintech in Improving MSME Financial Literacy**

In this study, researchers took sources at random who were in Subang, especially Subang Regency and Subang City who were in the food sector, especially for snacks. The reason for taking research on MSMEs in Subang is because MSMEs in the food sector are easy to innovate their products so that business actors must provide full service to customers. . Every place in Subang Regency or City makes processed food products that adapt to the surrounding environment and increasingly advanced technology in the financial sector to facilitate services for consumers. Researchers chose sources at random with criteria determined by researchers from 4 selected MSMEs, there were 3 sources who used fintech services.

a. How long has MSME been running?

The MSMEs in this study have been running for a long time, some starting from 2012. In the beginning, they tried many innovations for their products, especially in food and beverage products. MSME actors are trying to find out what market tastes are suitable. Many in the early stages of MSMEs running did not run smoothly, such as customers who did not like their products or searched for a difficult market because there were many competitors. As time goes by, MSME actors innovate about their products and try to find out the interests of the market or customers.

b. Knowledge of MSME actors about fintech

Fintech is growing more and more so that MSME actors must be able to follow its development. MSME actors not only have to follow but MSME actors are expected to be

more selective in choosing fintech because many fintechs have not been registered with the OJK. The knowledge of MSME actors about fintech is still limited, not many know what the role of fintech is, many MSMEs know the role of fintech only as payment. However, there are those who already know what the roles of fintech are and have many roles not only as payments but also as capital financing, financial regulators. Financial regulation as the role of fintech has also begun to be applied by MSME actors to facilitate transactions.

c. Application of fintech to MSMEs

Fintech has been implemented by resource persons in this study, although not all fintech roles have been used, but there is one role that has been applied to their business. There are those who apply Gopay, OVO as a means of payment and applications for financial arrangements. The application of fintech to MSME actors provides convenience and benefits. However, the implementation of e-payment only depends on certain store branches, not all outlets use it because it depends on human resources. MSMEs also consider any factors before using fintech.

- 1) Crowdfunding and peer to peer lending Yummy-yam sieeh uses crowdfunding and peer to peer lending and also uses online investors to help financially. Because crowdfunding and peer to peer lending and online investors can help access effective sources of capital.
- 2) Market Aggregator Yummy-yam sieteh in making decisions using the check application only, the check application is only used by MSME Owners Rist and investment Management Yummy-yam sieteh uses financial planning in digital form.
- 3) Payment, settlement and clearing yummy-yam si eteh uses cash and uses OVO because it follows the needs of the buyer, the payment is just a barcode scan without having to be complicated for change.
- 4) Ayam Geprek Sialamba does not use Crowdfunding and peer to peer lending and does not also use online investors to help financially because Ayam Geprek Sialamba does not know about these online investors.
- 5) Sialamba Geprek Chicken in making decisions using comparisons and using the look at the application
- 6) Ayam Geprek Sialamba, also uses financial planning in digital form because it is useful for SMEs to finance all interests
- 7) Ayam Geprek Sialamba uses payment in the form of funds because it makes it easy when there are lots of buyers, all you have to do is pay using a barcode. Coknas does not use crowdfunding and peer to peer lending and online investors because Coknas does not understand and understand what online investors are for.
- 8) Coknas does not use finance and comparison because it does not understand the market aggregator Coknas does not use digital financial planning at all. Coknas still uses cash/cash payments because Coknas MSMEs don't understand technology

### 3.3 Discussion

MSME actors did not immediately use fintech at the beginning of their business, but along with the development of technology that made business actors have to be able to use fintech. Before using fintech, you must know what the obstacles are after using fintech because it is a long-term business. In addition, business actors must consider the factors before using fintech. The informants in this study said that at the beginning their business did not use fintech and still used manual transactions. The factors that make MSME actors use fintech are:

a. Technological development

In this case, Yummy-yam Sieteh has used technology and is computerized in making financial reports because according to the owner of Yummy-yam Sieteh using a

computerized system has a big impact on the sustainability of his business. Technological developments in Sialamba geprek chicken adjust to its outlets on how to pay for product transactions. Sialamba geprek chicken, the majority of outlets are computerized, making it easier to control sales. Meanwhile, Cocknas only uses payment as a technology, namely using OVO. According to the owner of Coknas, adapting to technology is necessary so that the MSME business they run can also follow the flow of technological developments and not be left behind by the times.

b. Consumer interest

Consumers are increasingly dependent on technology, which makes technology also growing rapidly. Almost every day consumers are inseparable from smartphones, and make all work done on smartphones such as shopping, even ordering food via applications on smartphones. Consumers want ease of transaction and practicality. More and more consumers are interested in technology, making business people have to use technology. Fintech offers various characteristics for MSME actors, so as to give a good impression and make it easier for fintech service users. The convenience offered by fintech makes MSMEs implement fintech in their business.

c. Convenience

Yummy-yam sieeh to provide convenience for customers using Gojek and can be paid using GoPay so that customers don't have to come to the outlet. Ayam Geprek Sialamba uses a financial management application that makes it easy to record financial transactions. Coknas makes it easy for customers to transact using the OVO application so that customers do not need to make manual payments.

Of all the factors that make MSMEs implement fintech, there are several obstacles or obstacles in implementing fintech, namely human resources. Not all employees are familiar with technology or do not understand how fintech is, so it makes business actors need time to implement fintech in their business. In addition, the four sources in this study said that there were still consumers or customers who were accustomed or more comfortable using manual transactions, but many also started using financial technology. The lack of socialization from the fintech side also poses obstacles to business actors so that business actors have to find out what fintech is for themselves. Another obstacle is when the network is unstable, work can be disrupted and cause work delays.

#### 4. CONCLUSIONS

MSME actors from the four sources did not all understand fintech. The payment system so far still uses the traditional model of MSME players, it will be helped by the presence of a digital payment model. Access which has been complained of as not being bankable will be easier with the presence of crowdfunding and peer to peer lending, Market Aggregator, Risk and Investment Management, Payment, Settlement and Clearing.

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