



THE ROLE OF FINTECH IN IMPROVING FINANCIAL LITERACY IN MICRO SMALL TO MEDIUM ENTERPRISES IN MALANG

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Abstract

This journal aims to analyze the role of fintech in improving financial literacy in MSMEs in Malang. In this study, researchers took 3 samples randomly, from Malang Regency and Malang City. Analysis of the data used in this study is to use data reduction then data presentation and the last is conclusions. The results of the research are that of the four informants as a whole receiving well with the presence of fintech because fintech can facilitate transactions. Fintech also provides many benefits for MSMEs as well as more benefits from MSMEs. But of all the roles of fintech, the speakers in this study did not fully know what the role of fintech was because of the lack of socialization about fintech in MSMEs. The speaker said that in financing business capital still choose banks because banks are trusted and there are legal institutions that regulate them. Of the four speakers, the impact after using fintech is positive or there are many benefits to be gained after applying fintech to its business. The more efficient and effective business activities that make applied fintech and the development of the era require businesses to use fintech. Of the many advantages of fintech, there are certainly disadvantages, one of which is when the financial technology is problematic, it must be repaired and requires some time. Not only that, human resources that lack mastery of fintech make business people have to provide insight into fintech.

Keywords: Fintech, Financial Literacy, MSMEs

INTRODUCTION

Technology is developing very rapidly, not only in Indonesia but the world is also experiencing technological developments which changes significantly every time. This can happen because technology is developing rapidly every day and has entered various sectors, one of which is the financial sector. Examples are fintech (Financial technology) which is technology to support financial services. Development fintech Many application innovations have emerged in financial services, such as payment tools, loan tools, and others which are becoming popular in this digital era.

Currently, many people are turning to fintech because of society now you want everything to run quickly and easily, without any restrictions or strict rules. Luckandi (2018) researched payment transaction analysis using fintech on MSMEs in Indonesia and stated that comfort, security, suitability of transactions, and ease of transactions are factors that support MSME players to use fintech and matters related to supporting factors, namely ease of recording, ease of transaction processing and increasing sales.

The Financial Services Authority functions as a supervisor for the government to regulate the financial services sector, especially in the development of fintech OJK is monitoring fintech P2P Lending, Crowdfunding, Digital Banking, Fintech in the capital market, Insurtech, financing online, data security and consumer protection. Micro, Small, and Medium Enterprises (MSMEs) have a big role in efforts to increase economic development in Indonesia, economic growth, and open new job opportunities. The emergence of innovative fintech provides a breath of fresh air for MSME business people. Fintech helps business people to more easily gain access to financial products and increase financial literacy.

Business people can take advantage of fintech as a way to finance their company role fintech is not only limited to financing business capital but expands to various aspects such as digital payment services as well as financial management. Service presence fintech Technology-based finance in Indonesia has become a necessity in line with the development of information and communication technology (Wibowo, 2016).

Micro, Small, and Medium Enterprises (MSMEs) have a big role in efforts to increase economic development in Indonesia, economic growth, and open new job opportunities. Currently, the number of MSMEs in Indonesia continues to increase and develop in various

sectors. With the improvement and development of MSMEs, it is hoped that they can increase Gross Domestic Product (GDP) and absorb more new workers to reduce unemployment and poverty. Because many MSMEs are emerging, competition is becoming tighter. Especially after the ASEAN Economic Community (AEC) was implemented, which made MSME players have to produce innovations so that they can meet market demands and make Indonesia a market leader in their own country and ASEAN.

The emergence of innovative fintech provides a breath of fresh air for MSME business people. Fintech helping business people to more easily gain access to financial products and increase financial literacy. Business people can take advantage fintech as a way to finance the company. Based on research on roles fintech towards MSMEs, research results from Irma, Inayah, Bella (2018) stated that the presence of a number fintech also contribute to the development of MSMEs. The role of fintech is not only limited to financing business capital but some expand to various aspects such as digital payment services as well as financial management.

Micro, Small, and Medium Enterprises (MSMEs) in Malang are currently developing, but MSME business people are still comfortable using cash in transactions. Financing for the development of MSMEs is also a problem often faced by MSME players. Customers of MSME products also want ease intransactions. Based on the background that has been described, the problem formulation of this research is as follows: "What is the role of fintech in increasing financial literacyamong MSMEs in Malang?"

The aim to be achieved in this research is "To find out the role of fintech in increasing financial literacy among MSMEs in Malang". It is hoped that the contribution of this research will be that this research can add insight to the development of knowledge in the field of financial planning and knowledge about technology in the field of financial services. It is hoped that it can be used as consideration in formulating policies related to role development fintech in increasing financial literacy inMSMEs, especially in Malang.

REVIEW OF LITERATURE

Financial Technology (Fintech)

Financial technology or financial technology or what is usually called fintech, is defined as technological innovation in financial services that can produce business models, applications, processes, or products with material effects related to the provision of financial services (Financial Stability Board, 2017). Fintech also helps people to more easily gain access to financial products and financial literacy (Finansialku.com, 2018). The industry of financial technology (fintech) is one method of financial services that is starting to gain popularity in the current digital era.

Digital payments have become one sector in the industry of fintech the most developed in Indonesia. So, the government and society hope that digital payments can increase the number of people who have access to financial services. The Financial Services Authority noted that there were around 63 companies' financial technology that had been registered until June 2018 and in August there were around 64 companies registered with 6 companies registered and 5 having their registration canceled (OJK, 2018).

Classification fintech there are several types, namely:

1. Crowdfunding and peer-to-peer lending

Crowdfunding is a funding technique for business units or business projects that involve people at large (kemenkeu.go.id, 2017). Peer-to-peer Lending (P2P Lending) is the practice or method of providing money loans to individuals or businesses and vice versa, applying for loans to lenders that connect lenders with borrowers or investors directly online (coinwork.com, 2018).

2. Market Aggregator

Market aggregators namely collecting and managing data that consumers can use to help make decisions (CNBC Indonesia, 2018).

3. Risk and Investment Management

Risk and investment management or what is usually called internal risk and investment management financial technology used for planning in digital form.

4. Payment, Settlement and Clearing

Payment, settlement, and clearing are the sectors of fintech with payment system services either provided by the banking industry or Bank Indonesia institutions (CNBC Indonesia, 2018).

Financial Literacy

According to Manurung (2009:24), financial literacy is a set of knowledge and skills that enable a person to make effective decisions with all financial resources. The Financial Services Authority stated that the important mission of the financial literacy program is to ensure that Indonesian people can manage their finances intelligently so that education in the financial sector is necessary so that low knowledge about the financial industry can be overcome and people are not easily fooled by investment products that offer high profits in the short term without considering the risks. In supporting economic functions, financial literacy is needed because the large number of transactions that can be created will make the wheels of the economy turn perfectly.

Financial literacy has a long-term goal for all groups of society, namely increasing a person's previous literacy less literate or not literate becoming well literate, and increasing the number of product users and financial services. In supporting economic functions, financial literacy is needed because the large number of transactions that can be created will make the wheels of the economy turn perfectly.

Micro, Small, and Medium Enterprises (MSMEs)

Based on Law Number 20 of 2008, the definition of Micro, Small and Medium Enterprises (MSMEs) is;

1. Micro businesses are productive businesses owned by individuals and/or individual business entities that meet the criteria for micro-businesses as regulated in this law.
2. Small businesses are productive economic businesses that stand-alone and are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part, either directly or indirectly, of medium or large businesses that meet small business criteria as intended in this law.
3. Medium businesses are productive economic businesses that stand alone and are

carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part, either directly or indirectly, of small businesses or large businesses with total assets or annual sales proceeds as regulated in this law.

According to Abduh, Thamrin (2018:12) small and medium businesses have a strategic role in national economic development, and employment also plays a role in distributing business results. MSMEs are a sector that can reduce levels of inequality both economically and socially, foster a family system and cooperation, and in the economic sector can increase the purchasing power of domestic consumers (Wulansari et al, 2017).

RESEARCH METHOD

This research adopts a literature review approach with an SLR approach. This method is used to explore the role of economic growth theory in the formation of economic policy with the required level of depth and comprehensiveness (Dahal, 2022). Literature analysis which involves searching, selecting and evaluating various scientific literature, textbooks and journal articles relevant to economic growth theory (Moser & Korstjens, 2022). The literature analysis process aims to gain a deeper understanding of the basics of economic growth theory, related essential concepts, as well as various theoretical views in the context of economic growth.

The type of research used is qualitative research with descriptive content analysis. Qualitative research includes an arrangement of interpretive techniques with understanding, not frequency, of phenomena that often or rarely occur naturally in the social world (Cooper and Schindler, 2017: 170). Descriptive content analysis or descriptive content analysis is a content analysis that is intended to describe in detail a message or a particular text. Content analysis is solely for description, describing the characteristic aspects of a message (Eriyanto, 2017: 47).

1. Superhero

An MSME that operates in the food industry in Malang Regency. Superhero produces various types of macaroni with various flavors and was founded in 2014. Apart from being a macaroni distributor, Superhero also sells its products directly to

consumers. Superhero outlets accept electronic payments using fintech with the Gopay brand. The respondent of this object is the owner of Superhero.

2. Dekonco

An MSME that operates in the food industry in Malang City, namely Sawojajar. Dekonco is an MSME that produces chocolate combined with tempeh or what is usually called Dekonco Tempe Chocolate which was founded in 2011. Dekonco outlets accept electronic payments using FinTech with the OVO brand. The respondent of this object is the owner of Dekonco.

3. Oyisip

An MSME that operates in the food sector, especially selling snacks or snacks which was established in 2016. Oyisip accepts electronic payments using FinTech with the OVO brand. The respondent of this object is the owner of Oyisip.

The type of data in this research is primary data and secondary data. Primary data was obtained from interviews with resource persons who own MSMEs and secondary data documentation was obtained from related documents such as articles, and books. The data analysis method used is data reduction techniques, followed by data presentation and finally drawing conclusions.

RESULTS AND DISCUSSION

Role Fintech in Increasing the Financial Literacy of MSMEs

In this research, researchers took random sources from Malang, especially Malang Regency and Malang City, who are in the food sector, especially snacks. The reason for taking research on MSMEs in Malang is because MSMEs in the food sector can easily innovate their products so business actors must provide full service to customers. Every place in Malang Regency or City makes products processed food products that adapt to the surrounding environment and increasingly advanced technology in the financial sector to simplify services for consumers. The researcher randomly selected resource persons using criteria determined by the researcher. From the 4 selected MSMEs, 3 resource persons used the service fintech.

How Long MSMEs Have Been Running (P1)

The MSMEs in this research have been running for a long time, some starting in 2011. During their initial run, they tried many innovations for their products, especially food and beverage products. MSME players are trying to find out what market tastes are suitable. Many MSMEs do not run smoothly in the beginning, such as customers who don't like their products or finding a market that is difficult because there are many competitors. As time goes by, MSMEs innovate their products and try to find out the interests of the market or customers.

Knowledge of MSME Actors about Fintech (P2)

Fintech as time goes by, MSME players must be able to keep up with developments. MSME players not only have to follow but MSME players are expected to be more selective in choosing fintech because many fintech who have not registered with the OJK. MSME actors' knowledge about fintech still limited, not much is known about the role of fintech, Many MSMEs know their role in fintech just as payment. However, some already know what the role of fintech, and has many roles not only as payment but also as capital financing, and financial regulator. Financial management as a role fintech It is also starting to be implemented by MSME players for ease of transactions.

Implementation Fintech on MSMEs (P3)

Fintech has been implemented by the informants in this research, although not in all roles fintech used but there is one role that has been applied to the business. Some are implementing Gopay, and OVO as a payment tool and applications for financial management. Application fintech MSME players provide convenience and benefits. However, the implementation of payments (e-payment) only depends on certain store branches, not all outlets use it because it depends on human resources. MSMEs also consider various factors before using fintech.

Superhero is an MSME business operating in the food industry, with superior macaroni products that has been established for approximately 5(five) years and is not yet fully aware of its role in fintech. The owner of Superhero knows better fintech for payment only. Meanwhile, fintech has various roles such as business capital financing, financial regulation, and others. The owner of Superhero said that in his business activities, there are

still manual transaction activities, but financial arrangements are computerized using an application.

Dekonco is a business that has been running for approximately 8 (eight) years with its superior product, namely tempeh chocolate. Dekonco inpayment transactions uses OVO as a digital payment application. However, not only OVO Dekonco also still applies manual and debit payments depending on Dekonco customers. In financial management, Dekonco uses an application that can be recorded directly on the main server without having to work twice.

The third resource person, namely Oyiship Digishop, explained the role of fintech for his business. Oyiship is a business that does a lot of sales, very accepting of various roles in fintech. Oyiship makes payments using the OVO application because OVO makes it easy for Oyiship to make payments. Capital financing and financial arrangements have not been used in Oyiship because Oyiship's business capital financing uses its capital and for financial arrangements, Oyiship uses computer applications.

The three sources overall accepted it well fintech because fintech can make transactions easier. Fintech also provides many benefits for MSMEs and more profits can be obtained from MSMEs. But of all the roles fintech, the sources in this research did not fully know what the roles of fintech due to lack of socialization about fintech in MSMEs. The source said that in financing business capital, they still choose banking because banking is trusted and there are legal institutions that regulate it.

The three sources from this research said that in financing their business they use a lot of their capital and when their business requires capital, business actors still choose banking over fintech. The speakers said that with their capital they should be able to develop their business.

Appearance fintech provides opportunities for MSMEs to be creative in using financial technology services in various roles in fintech starting from payments, financing, investment, to financial planning. The informants in this research used the roles of fintech as payment (e-payment) and financial managers, due to interest from customers, are gradually switching to using financial technology because it gives the impression of being easy to use. This increases the profits of MSME players so that MSME financial literacy also increases.

Implementation Results Fintech to MSMEs in Malang

More sales transactions get orders via the application than customers coming directly outlet. It is also easier for MSME players to provide services such as record keeping, practicality, and increased sales. Especially before using fintech Previously, we used a notebook as proof of transactions and now without writing, we can get notes or receipts with the application. Another thing apart from ease of sales or practicality of sales is that it can reduce money in circulation and make things easier for customers. In terms of quality, fintech gives speed to transactions and can reduce the amount of money in circulation. Meanwhile, economically, namely helping MSMEs make it easier to record, process transactions, and increase sales.

Business Impact after the Use of Fintech

MSME players have felt the impact of the implementation of fintech on their business. There are many positive impacts rather than negative impacts. Impact of implementation of fintech Not only does it benefit business people, it also benefits customers, as customers don't need to come to the store outlets just by ordering, you can buy products from MSMEs, especially now that businesses operating in the food and beverage sector are very popular. Financial arrangements are more clearly organized with this fintech, making it easier to recapitulate data so that time can be efficient.

Advantages of Using Fintech (P5)

Advantages in using fintech visible in sales results. With fintech can promote easily to customers. The amount of money in circulation can be reduced by this fintech so it can prevent inflation. The informants in this research said that with fintech Transaction activities are faster and can minimize errors in transactions.

Disadvantages of Using Fintech (P6)

Disadvantages of using fintech for business actors, namely the lack of socialization which makes business actors, especially MSMEs, less aware of how fintech and how to apply. Many MSMEs are still comfortable making transactions using manual or money. Apart from that, it requires human resources who understand the process of fintech. Another drawback is when the server from Fintech that down will disrupt and delay the transaction

process. During application errors, the user must confirm customer service which takes a long time.

Superhero in its business in terms of payments has used an EDC machine (Electronic Data Capture) or what is usually called an ATM/Debit swipe machine. Not only EDC machines are used at Superhero, but there are also payments via go-pay. The impact obtained from the implementation of fintech for Superhero means it can provide profits for its business in terms of fast customer service, and financial management can be organized, more efficient, and effective. Presence fintech-making Superhero businesses have to adapt again to increasingly developing financial technology.

The second resource person is Dekonco Tempe chocolate which has felt the positive impact of its existence in fintech namely making business activities easier. Benefits after applying fintech for the Dekonco business, are that is possible minimize errors in transactions, environmentally friendly because it can reduce the amount of paper. However, Dekonco said that there are drawbacks when using it fintech moment server trouble business activities may not be recorded.

The third resource person, namely Oyiship, said that the impact of using fintech as payment can reduce the amount of money in circulation. Weakness fintech according to Oyiship, namely when servers if you are using a problem, you have to report it to the service provider and have to wait for the service to be checked.

From the three sources, the impact after using fintech namely positive or many benefits that can be obtained after implementing fintech on his business. Business activities are more efficient and effective which makes fintech applied and developments over time require business actors to use fintech. Of the many advantages of fintech, there are drawbacks, one of which is that when financial technology has problems it has to be repaired and it takes some time. Not only that, human resources are lacking fintech making business actors have to provide insight into fintech.

CONCLUSION

MSME players do not immediately use it when they start their business fintech, but along with the development of technology, business people must be able to use it fintech.

Before using fintech You have to know what the problems are after using fintech because it's a long-term business. Apart from that, business actors must consider the factors before using fintech. The resource person in this research said that when his business was first established, he had not yet used fintech and still using manual transactions. Factors that make MSME players use fintech namely:

a. Technological Development

Superhero in this case has used technology and is computerized in making financial reports because it complies owner Superhero using a computerized system has had a big impact on the sustainability of its business. Technological developments at Dekonco adapt to customers' outlets about how to pay for product transactions. Dekonco majority outlets it has been computerized making it easier to monitor sales.

Meanwhile, Oyiship only uses payment as technology, namely using OVO. According to the owner of Oyiship, adapting to technology is necessary so that the MSME business he runs can also follow the flow of technological developments and not be left behind by current developments.

b. Consumer Interest

Consumers are increasingly dependent on technology, which means technology is also growing rapidly. Almost every day consumers are inseparable from smartphones, and get all the work done on smartphones such as shopping, even ordering food via the application smartphones. Consumers want ease in transactions and practicality. The more consumers are interested in technology, the more business people are interested in must-use technology. Fintech offers various characteristics for MSME players, thus giving a good impression and making it easier for service users fintech. The convenience offered by fintech makes MSME actors implement fintech in their business.

c. Comfort

Superhero provides convenience for customers using Gojek and can be paid using go pay so customers don't need to come to outlets. Dekonco uses a financial management application that makes it easy to record financial transactions. Oyiship makes it easy for

customers to make transactions using the OVO application so customers don't 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 don't understand how fintech so it takes time for business actors to implement fintech in their business. Apart from that, the four sources in this research said that there are still consumers or customers who are used to or more comfortable using manual transactions, but many are also starting to use financial technology. Lack of socialization from parties fintech also provides obstacles to business actors so that business actors have to find out for themselves what it is fintech. Another obstacle is that when the network is unstable, work can be disrupted and cause work delays.

The suggestions given by researchers based on the results of the research that has been carried out are as follows; a) MSMEs are expected to be able to take part in seminars or outreach related to fintech Because fintech for the progress of his business. b) The need for MSMEs not to focus too much on roles fintech as payment but there is financing, financial arrangements, investment and others. c) Increase the number of sources so that the interview results can be more accurate. d) This research is more focused on MSME businesses operating in the food sector. It is hoped that future researchers can conduct research on MSMEs in other fields.

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