

THE ROLE OF FINTECH IN SUPPORTING UMKM IN THE DIGITAL ERA ON JALAN PANCING MEDAN

Jodi El Roehy Siringo-ringo¹, Praticia², Rut Sahanaya Nababan³.

^{1, 2, 3} Program Studi Agribisnis, Universitas Medan Area

e-mail: siringo636@gmail.com, praticia890@gmail.com, rutnababan852@gmail.com

Correspondent author: rutnababan852@gmail.com

ABSTRACT

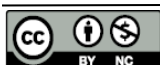
This research aims to understand the role of fintech in the rate of development of UMKM in the digital era by implementing the services provided by fintech to UMKM players. The method used is descriptive qualitative with secondary data collection techniques, namely data collected by other parties, such as government reports and previous research results. The research results explain that (1) With crowdfunding, it can make it easier to carry out fund transactions from all over the world. FINTECH also makes it easy to transfer money from abroad easily, even from foreigners. International shopping is very easy because payment systems such as PayPal carry out transactions automatically. It is hoped that UMKM will benefit from the existence of FINTECH which can help their business grow. One of them relates to loans for UMKM capital to obtain financing loans. (2) Services provided by fintech to UMKM players such as non-cash payment platforms (ovo, gopay, doku), fund lending platforms (Kredivo, Uang Teman, Modalku), investment platforms (Investree, Amarta, Santara) and bookkeeping and financial reporting platforms (Bukukas, QuickBooks). Fintech is making business financing easier and faster. Fintech makes the biggest contribution to increasing financial inclusion in terms of access to financing for UMKM previously not served by banks. (3) There are weaknesses in fintech services for UMKM players, namely limited access, lack of knowledge of using fintech services effectively, and concerns about data security risks. The results of this research explain that with innovation from fintech services, we can develop more flexible products with better methods for solving problems faced by UMKM.

Keywords:UMKM; FINTECH;Payment.

1. INTRODUCTION

Micro, small and medium enterprises (UMKM) are defined as business or business activities carried out by individuals, households or small business entities. They are categorized based on annual turnover, wealth or assets, and number of employees. Not all businesses can be categorized as small and medium enterprises (UMKM). Some businesses are considered large businesses because they have a greater net worth or annual turnover than medium-sized businesses. These large businesses include joint ventures, both private and state owned, and foreign companies operating in Indonesia.

The number of UMKM units and GDP continue to increase over time. From 2010 to 2017, the GDP of UMKM more than doubled. In 2018, the total number of UMKM units reached around 62.9 million units in various sectors.



Approximately 99.9% of businesses in Indonesia are UMKM. This is included in GDP and business units, and the investment value of UMKM experienced a rapid increase of 963% from 1999 to 2013. As of 2018, UMKM provided 58.18% of total investment. These values show the rapid development of UMKM. The large number of UMKM is driving Indonesia's economic growth. The contribution of UMKM to GDP increased from 57.8% to 61% in the last five years. UMKM are also able to absorb 97% of the workforce.

Indonesia's financial sector is also influenced by technology. The emergence of various financial service platforms seems to be a new trend and has become a form of technology-based business development. Released various technology.

Products and services, including the presence of Financial Technology (FINTECH). FINTECH continues to develop and increase in numbers. The number of registered Financial Technology (FINTECH) companies reached 164 companies, with 25 companies, an increase from 144 companies in November 2019 according to data released by the Financial Services Authority (OJK).

Financial Technology (FINTECH) users can access their services very easily with their smartphone or computer. Using services via application and web platforms. People can make transactions and apply for capital loans with a system like this. This method is very different from the previous method. Services provided by banking institutions as a whole. Financial Technology (FINTECH) has increased public interest with the many convenient services it offers. The amount of loans provided by Financial Technology (FINTECH) in Indonesia reached IDR 60.41 trillion in November 2019.

Financial Technology (FINTECH) offers capital services and helps people develop businesses instantly and simply. Business people can use financial technology (FINTECH) to obtain capital for their business. Financial technology (FINTECH) also does other things, such as managing finances and being a transaction tool. Financial Technology (FINTECH) can offer great opportunities and potential for the growth of UMKM in Indonesia. UMKM, which usually face problems in terms of finances and capital.

2. RESEARCH METHODS

The type of research that will be used in this research is qualitative research. Qualitative research is a research approach that focuses on in-depth understanding of phenomena by collecting non-numerical data, such as words, images, or cultural context. The qualitative approach involves interviews, observations, and text analysis to gain an in-depth understanding of the phenomenon. Qualitative helps capture subjective aspects and details the context of the research. In the research conducted, the population was obtained from UMKM actors on the fishing roads in Medan city. The sampling method in this research is the sampling method for UMKM actors. respondents were determined using proportional random sampling. The proportional sampling technique, namely proportional sampling, was carried out by taking sub-sectors from each starat or region determined in a balanced manner. This research used a sample of 12 UMKM actors who had implemented financial technology. In the research conducted, the data was obtained from secondary data. Data collected by other parties, such as government reports, results of previous research, or data collected by other parties for their own purposes is called secondary data.

3. RESULTS AND DISCUSSION

The platform's business is influenced by FINTECH and several financial services namely crowdfunding, mobile payments, and money transfer systems. With crowdfunding, it can make it easier to make fund transactions from all over the world. FINTECH also makes it easy to transfer money from abroad easily, even from foreigners. International shopping is very easy because payment systems such as PayPal make transactions automatically. According to B. Rahardjo, Budi, and Khairul (2019), it is expected that UMKM will benefit from the existence of FINTECH that can help their business growth. One of them relates to loans in UMKM capital to obtain financing loans. "FINTECH consists of P2PL (peer to peer lending) lending that allows UMKM that are not eligible to get loans from banks to gain access to financing." In the end, this FINTECH has the ability to increase capital loans.

Fintech continues to make updates such as developing easier and faster products with better methods to solve problems faced by UMKM. Now fintech has developed such as cashless payment platforms (ovo, gopay, doku), fund lending platforms (kredivo, uang teman, modalku), investment platforms (investree, amarnya, santara) and financial book and report platforms (bukukas, quickbooks). Fintech is making business financing easier and faster. Fintech provides the largest contribution to increasing financial inclusion in terms of access to financing for UMKM previously not served by banks. Access to financing for small and medium enterprises UMKM has been disbursed in less than four days. This helps small and medium enterprises UMKM with capital. Online loans offer more competitive interest rates and fees based on modern credit risk analysis so that the process is relatively easier and faster. By encouraging UMKM and the local economy, FINTECH increases UMKM financial inclusion. FINTECH makes access to various types of financial services easy because various FINTECH applications can be installed on small and medium phones (Winarto, 2020).

Financial technology (fintech) services for small and medium enterprises UMKM have several disadvantages, such as: Limited Access: Some MSMEs may face difficulties to obtain fintech services due to lack of infrastructure or technological limitations in their region.

Financial Education: To understand and use fintech services effectively, UMKM players may need additional financial education. Data Security: Data security risks can be a concern, especially if UMKM don't know how to protect their business data on the internet. Technology Dependence: Relying entirely on technology can be dangerous in the event of system disruptions or technical issues, which can have a direct impact on the operations of small and medium-sized businesses UMKM. Transaction Fees: Although fintech is often considered a cheaper solution, some platforms may charge higher fees, especially if UMKM do not have a clear understanding of the associated fee structure. Lack of Trust: Due to concerns about security and reliability, some UMKM players may lack confidence in financial technology and opt for more conventional transactions. Varying Success Rates: Although FINTECH offers many benefits, UMKM players must understand the risks and challenges that may be faced. This is because the availability and success of FINTECH can vary depending on the type of business, geographic location, and local economic conditions.

4. CONCLUSION

UMKM play an important role in the economy. To ensure their sustainability and progress, UMKM often need specialized support, such as access to financing and training. Micro, Small and Medium Enterprises UMKM represent a variety of smaller types of businesses than large companies, with smaller numbers of employees and capital. UMKM usually have criteria such as the amount of turnover, asset value, and employees.

Financial technology, also known as fintech, is an industry that uses technology to improve and simplify financial services. These include digital payment platforms, peer-to-peer lending, mobile banking apps, and other innovations that are changing the way we use finance. Financial technology (Fintech) is an industry that develops new financial services using information technology.

The platform's business is influenced by FINTECH and several financial services namely crowdfunding, mobile payments, and money transfer systems. With crowdfunding, it can make it easier to make fund transactions from all over the world. FINTECH also makes it easy to transfer money from abroad easily, even from foreigners.

FINTECH continues to innovate, such as developing more flexible products and better methods to solve problems faced by UMKM. Currently, FINTECH in Indonesia is quite developed such as cashless payment platforms (OVO, go-pay, doku); lending platforms (Kredivo, Modalku, Money Friends); investment platforms (Investree, Amarta, Santara); and bookkeeping and financial reporting platforms (Bukukas, Quickbooks). FINTECH is now making business financing faster and easier.

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