

## FOSTERING MSMEs TO INCREASE FINTECH-BASED FINANCIAL LITERACY

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### ABSTRACT

#### KEYWORDS

MSMEs; fintech lending; funding; LPMUBTI

The existence of fintech lending can be a solution for MSMEs in obtaining capital, but there are still many MSMEs who do not know what and how the mechanism for obtaining capital through fintech is. It is important to introduce the benefits and dangers of information technology-based lending and borrowing services (Fintech Lending) to MSMEs in Badung Market to increase access to capital so as to increase competitiveness and expand markets, because in addition to the many benefits there are risks involved, so that SMEs understand earlier what risks will be faced from the convenience that is obtained. This community service aims to provide socialization to MSMEs regarding the existence of fintech lending as an alternative source of business funding. Increase insight into information technology-based money-lending services so that you are not fooled by tempting offers. The method in conducting this research is field survey. Coaching on technology-based lending and borrowing service facilities is carried out by utilizing the internet as a means to find information through cellphones owned by merchants in ensuring and monitoring online loan platforms that are official and recognized by the OJK. Monitor transactions made for those who have made loans through fintech platforms.

### INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are expected to continue to grow in line with the strengthening role of MSMEs in the economic aspect. MSMEs are growing very fast, various forms of MSMEs grow by themselves without the need for guidance from an institution (Suci, 2017). Facilities and knowledge to run MSMEs can be found in various facilities and the use of technology is a challenge for MSMEs to survive in the current era of the industrial revolution 4.0 (Luckandi, 2019).

In carrying out its role, MSMEs face various obstacles and obstacles. Capital is often a problem that is the main focus because the number of MSMEs that can access formal funding sources is still very limited (Ardiansyah, 2019; Budiarto et al., 2018). The total number of MSMEs in Indonesia amounted to 59.2 million units and 99.72 percent was dominated by micro enterprises. However, 80.9 percent of the total micro enterprises have not been able to get access to banking financing (KemenkopUKM, 2017).

The development of technology and efforts to utilize technology have become a challenge for MSMEs (Supangat, 2021). The main function of utilizing technology is to facilitate every transaction made by MSME actors. Financial technology is a form of technology-based financial services that is developing in the world (Martinelli, 2021). As a solution in the era of technological advancement, financial technology (fintech) is here to answer the constraints of lack of funding faced by MSMEs in Indonesia (Raharjo et al., 2022). The era of the Industrial Revolution 4.0 is a digital era supported by advances in information

and communication technology, for this reason, the MSME sector is required to change the mindset by adjusting the concepts of both finance and marketing in the digital era.

Fintech has various forms of services such as payment fintech, information fintech, financial SaaS fintech, fintech capital market, fintech crowdfunding, and Peer to Peer Lending (Rumondang et al., 2019). Fintech can act as a tool or technology to facilitate the transaction process between buyers and sellers and can reduce loopholes or fraud in the transaction process (Immawati & Dadang, 2019). Fintech can also be referred to as a legitimate payment process without the need to use paper instruments (Nurchahya & Dewi, 2019).

This technology or service is a form that can be an alternative for financial institutions and their users in providing and obtaining services. Fintech can act as an introduction to services to users that were previously not achieved by existing traditional institutions or services (Ardiansyah, 2019). Some forms of fintech are breakthroughs because they can turn traditional financial products into many variations (Syuda, 2021). For example, in savings and loans solutions, with fintech, MSMEs can access financing facilities that were previously constrained by bureaucracy in other financial institutions, such as banks. The emergence of fintech is considered to have the potential to provide solutions to capital problems experienced by MSMEs, by opening opportunities to access finance through new financing alternatives, namely information technology-based lending and borrowing services (Febharjanti, 2023).

Information technology-based money lending services (LPMUBTI) or peer to peer lending refer to the practice of lending and borrowing money that is carried out without going through traditional financial intermediaries such as banks (World Economic Forum, 2015). The advantage of this service lies in the process of bringing together borrowers with investors and the process of implementing deals that are carried out digitally, so that this service is considered to have the potential to meet fund needs quickly, easily and efficiently (Harahap, 2020).

Fintech peer to peer lending startups have launched various programs including Market Capital, which is a financing service for local market traders (Mukhtar & Rahayu, 2019). Its main purpose is to be a cash flow solution for market traders. With Market Capital, traders can get business loans of up to IDR 25 million without collateral with a short tenor, which can be adjusted to the needs of borrowers. Traders can get business loans of up to IDR 25 million without collateral with a short tenor, which can be adjusted to the needs of borrowers. However, despite the ease of doing loan services online, there are high risks that await. Therefore, OJK in this case as the regulator wants the Information Technology-Based Lending and Borrowing Service (LPMUBTI) industry to remain safe and well organized (Sitompul, 2018). This kind of information is needed by traders and micro, small and medium enterprises who find it difficult to get access to loans in the formal sector.

The phenomenon in the field shows that many MSMEs have not been able to get funding from the formal sector such as the banking sector so that it becomes an obstacle for MSME players in their business development because they are limited in capital. Based on the background of the problem and research results, the Small and Medium Enterprises (SMEs) sector in Indonesia has low competitiveness, which is shown by the decline in Indonesia's competitiveness ranking (down 4 places to 41st position globally) and Hartanto (2022) also state that SMEs have low competitiveness due to their low capital. One of the efforts to increase competitiveness is the use of technology in the financial sector that can facilitate the MSME sector in accessing funding. Information technology-based lending and borrowing service technology for MSMEs is important for increasing competitiveness and expanding markets from the local market to the global market.

Introduction to the benefits and dangers of information technology-based money lending services (Fintech Lending) to MSMEs in Badung Market is important to increase access to capital so as to increase competitiveness and expand the market, because in addition to the

many benefits that can be obtained with a technology-based money lending and borrowing system, there are risks contained in it, so that MSME players understand early what risks will be faced from The convenience obtained.

The obstacle for micro, small and medium enterprises (MSMEs) from the past until now is the problem of capital. Often the business that is pioneered must stop halfway, because it cannot get access to loans from banks. In addition to still having no assets, MSME actors often do not have assets that can be used as collateral to get loans from banks.

The rapid growth of the financial technology industry brings fresh air to micro, small and medium enterprises (MSMEs), one of which is information technology-based lending and borrowing services, which of course the existence of online loans is expected to be able to encourage the development of the MSME business sector including traders in Badung Market.

To overcome the obstacles that occur regarding the lack of information available about this technology-based money lending and borrowing service, the solution proposed to overcome this problem is to carry out community service activities for Small and Medium Enterprises (MSMEs) in Pasar Badung by providing counseling about the introduction and understanding of Information Technology-Based Borrowing and Borrowing Services (LPMUBTI), which is one of the innovations in the financial sector that utilizes technology to make it possible for lenders and loan recipients to carry out lending and borrowing transactions without meeting in person. Increase insight into information technology-based money-lending services so that you are not fooled by tempting offers.

Community service activities are the implementation of previous theories and research results. It is expected that socialization and community development activities for MSME actors, especially to traders in the Denpasar sewakadarma market or better known as the badung market. Socialization and coaching are carried out in order to increase financial literacy based on financial technology for the community at large. This is done to provide insight to the public that there are media that can be used as a source in obtaining business capital, especially for micro and small businesses that are not easy to get access to loans through the formal sector such as banking and when the benefits are felt, there are accompanying risks. Understanding of what risks will be accepted by business actors if they do not understand in taking advantage of existing opportunities. Thus, this community service aims to provide socialization to MSMEs regarding the existence of fintech lending as an alternative source of business funding.

## RESEARCH METHOD

Community service activities in Micro, Small and Medium Enterprises (SMEs) in Badung Market are carried out in the following stages: (i) conducting field surveys, (ii) conducting situation analysis, (iii) designing solutions to the problems faced, (iv) implementing solutions, (v) monitoring and evaluation.

The methods of implementing community service activities in Small and Medium Enterprises (SMEs) in Pasar Badung are:

- 1) Initial Stage: Conducting discussions between SMEs in Badung Market and the community service team of Udayana University to find out the obstacles faced in selling online and provide an understanding of the benefits of using information technology in finance to get information technology-based lending and borrowing services.
- 2) Implementation Stage: Counseling on technology-based lending and borrowing service facilities, by utilizing the internet as a means to find information, and conduct business transactions. The next counseling is to increase insight into information technology-based lending and borrowing services so that they are not fooled by tempting offers. Socialization activities are carried out by visiting directly traders in the Badung market considering the



difficulty of gathering traders if held together indoors. The team approached persuasively by directly asking and confirming whether they had ever used online loan services, informing platforms that were recognized and legally registered with the OJK and the characteristics of fake platforms and distributing brochures

- 3) Final Stage: Monitoring and Evaluation. Assisting SMEs in using and utilizing LPMUBTI. The monitoring and evaluation stage is carried out to ensure what has been done by the team provides benefits to the community, in this case traders in the badung market

Below are the implementation activities of MSME Development in the context of increasing Fintech-based financial literacy.



Figure 1. Location of Activities





**Figure 2. Implementation of Activities**

## RESULTS AND DISCUSSION

The implementation of the 2022 udayana service program has been carried out during the August 2022 period. Coaching activities on the benefits of using technology-based loans target traders in the sewakadarma market or better known as the badung market located on Jalan Gajah Mada, Denpasar, Bali. Coaching on technology-based lending and borrowing service facilities is carried out by utilizing the internet as a means to find information through cellphones owned by merchants in ensuring and monitoring online loan platforms that are official and recognized by the OJK. Monitor transactions made for those who have made loans through fintech platforms. The next coaching is to increase insight into information technology-based lending and borrowing services so that they are not fooled by tempting offers. Socialization activities are carried out by visiting directly traders in the Badung market considering the difficulty of gathering traders if held together indoors at the same time. The team approached persuasively by directly asking and confirming whether they had ever used online loan services, informing platforms that were recognized and legally registered with the OJK and the characteristics of fake platforms and distributing brochures

The targets and outputs of this community service activity refer to the problems that exist in the community that require information about online loan platforms, training and assistance in utilizing the internet to be used as a medium for conducting information technology-based lending and borrowing services widely and being able to increase the insight of MSME actors in Pasar Badung on the forms and types of LPMUBTI so that they are not easily fooled by tempting service offers. The targets and outputs of community service to be achieved are: (i) Increasing the insight of MSME actors in Badung Market about Information Technology-Based Money Lending Services to make it easier for partners to get access to capital, in addition to facilities that have been done. (ii) Business actors in Badung Market are able to use the internet to access companies that run LPMUBTI businesses, register, and get access to services. (iii) Partners can find out companies that perform LPMUBTI services so that they can avoid fraudulent platforms, which are not registered with OJK but perform LPMUBTI services. (iv)

traders understand the benefits obtained by utilizing LPMUBTI and know the risks accepted if wrong in determining the online loan service provider platform company.

## CONCLUSION

Community service activities are an implementation of previous theories and research results, and have been carried out during the span of July-August, with activities; (1) onduct field survey activities and situation analysis. In this activity, it has been decided that coaching to traders in the Badung market will be carried out persuasively by directly visiting the sword in each slot and stall. Because the opportunity to gather traders in the hall / room is very limited, (2) g activities by conducting socialization / mentoring and coaching are carried out to traders on each floor at traders with various types of merchandise. Assistance and coaching are carried out by meeting the targets to be achieved, especially the fulfillment of opportunities for traders to be able to access capital sources and avoid being trapped by illegal online loans.

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