

Analyzing the Existence of Fintech as a Digital Platform for Economic Solutions and the Perception of MSMEs in Indonesia

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Abstract: This research aims to analyze the existence of fintech as a digital platform for economic solutions and the perception of MSMEs in Indonesia. It uses descriptive research with a quantitative method. This descriptive research focuses on analyzing the existence of fintech as a digital platform for economic solutions. The quantitative method attempts to collect quantifiable information using questionnaires distributed via Google Form to 200 respondents selected from MSME members using purposive random sampling to measure perceptions. The results indicate that the existence of fintech as a digital platform for economic solutions and MSMEs' perception in Indonesia is based on several beneficial aspects found as follows: (1) makes it easier for people to make transactions, with 82.5% positive perceptions; (2) can be useful for monitoring every transaction of government officials, with 77% positive perception; (3) can help solve people's financial problems, with 85% positive perceptions; (4) has an impact on monetary stability, financial system stability, efficiency, smoothness, safety, security, and reliability of the payment system, with 74% positive perception; and (5) can be useful in managing the State Revenue and Expenditure Budget, with 77.5% positive perceptions. Therefore, it can be concluded that the existence of fintech as a digital platform for economic solutions and the perception of MSMEs in Indonesia. These results provide important information for stakeholders to acknowledge fintech as a digital tool for economic solutions in Indonesia.

Keywords— Fintech, MSMEs, Digital Platform, Economic Solution

Introduction

Based on observations, the emergence of FinTech is in line with changes in the lifestyle of Indonesian society, which is currently dominated by users of information technology as a fast-paced life demands. This has had an impact on the proliferation of fintech in Indonesia, which proves that people are switching from traditional financial systems to using fintech.

Fintech is a new innovation in the field of financial services that adapts to technological developments to encourage more efficient and effective financial services and financial

systems [1]. Apart from that, fintech is not a service like that provided in banking, but is a business model that really helps its users. Such as financial services, among others, where users do not have to have an account like at a regular bank. Even though it is not a financial institution like a bank, this financial technology is always monitored by Bank Indonesia to ensure security for its users [2].

There have been many start-up companies that use fintech services which are known to be better than other financial industries in Indonesia. For example, when there are financial problems that occur in communities that cannot be served by the banking industry with various obstacles. Among other things, the regulations are too strict which limit the banking industry in serving the public in certain areas. For example, people who have not reached banking access, this is of course very difficult to get banking services. As a result, the uneven economic development of the community, this is where the opportunity for the fintech business to emerge. Meanwhile, fintech is more effective and efficient because it uses sophisticated technology, software and complete data [3].

Based on observations, it can be stated that in the current digital era, the trend of financial transactions is starting to shift from conventional to digital with the advent of fintech innovation. The development of the world of start-ups and digital markets has brought major changes in various sectors, one of which is the economic sector. Therefore, the presence of fintech with its superior innovations can make it easier for people to carry out transactions through digital transactions, such as: 1) payment channels/systems, 2) digital banks, 3) online/digital insurance, 4) Peer-to-peer (P2P) lending or P2P loans, 5) crowdfunding [4].

Judging from the research that has been conducted, many Indonesian people use fintech services to carry out transactions. According to Firmansyah (2018), the future of Indonesia's development is determined by the ability of micro, small and medium enterprises to develop independently. [5]

MSMEs are an important part of the country's economy because the number of MSME units is greater than that of large-scale businesses and has the ability to absorb a high workforce, thereby accelerating the process of equitable development [6].

Recently, it can be stated that digital financial technology in the economy and funding in Indonesia is increasing. This makes sense if we look at the rapid development of digital media which has made it possible for everything to be done online. Moreover, fintech is already popular among economists, such as micro, small and medium enterprises (MSMEs). Various service products from fintech are increasingly in demand along with various financial facilities that provide convenience for users. Therefore, understanding the concept of financial literacy for economic factors such as MSMEs is very important. In this case, having good financial literacy will make it easier to know how the value

of money will be useful in the present and how much influence it will have in the future.

It can be further stated that as financial technology innovation continues to develop, society, especially MSMEs, is obliged to increase financial literacy by studying every service, product and financial decision that will be implemented. In this way, the benefits of financial access, including fintech, can be felt maximally by the community, especially MSMEs.

In line with the explanation above, things related to the role of Fintech in Micro, Small and Medium Enterprises (MSMEs), namely: 1. Fintech provides easy access to various types of financial services; 2. Able to reach all MSMEs to remote areas; 3. Fintech offers and opens up fast and easy access to business financing; and 4. Fintech makes a big contribution to empowering MSMEs and the local economy [7].

Previous research revealed that there is a significant influence of perceived ease, effectiveness and risk on consumers' interest in making transactions using Financial Technology at the West Tomang Market, West Jakarta [8]. Furthermore, appropriate financial management decisions for MSME work productivity and sustainability for companies are influenced by good financial literacy [9].

From all the explanations above, this study aims to examine the existence of fintech as a digital platform for economic solutions and to gain insight into the perspectives of MSMEs in Indonesia regarding its use and the implications of the findings can be useful as an additional reference for related parties.

Literature Review

Fintech can be stated as an activity in the financial industry that makes extensive use of technological tools to improve financial business activities [10]. Apart from that, fintech is an innovation in the financial sector that involves business models that are integrated with technology that provides products and services; can handle privacy, regulatory and legal issues; and provide opportunities for inclusive growth [11]. In line with this opinion, Leong (2018) emphasized that fintech can be an innovative idea that is a solution in solving financial services problems in the business world [12].

On the other hand, the reason why fintech has become an important part of the lifestyle and affects the world's financial situation is because fintech can foster start-ups such as new mobile payments, which can improve the standard of living for people like in South Asia, said fintech can overcome poverty more than 600 million people [13].

In line with the statements above, Bank Indonesia [14] stated that in practice, this fintech can occur as a result of changes in the lifestyle of people who are currently dominated by users of information technology in line with the demands of a fast-paced life. With fintech, it can overcome problems in buying and selling transactions and payments, such as not having time to find goods to shop, to banks / ATMs, to transfer funds, reluctance to visit places because unpleasant services can be minimized. In other words, fintech helps buying and

selling transactions and payment system transactions to be more efficient and economical but still effective [14].

Furthermore, it can also be argued that fintech is an activity that integrates business processes, business models, and financial instruments that provide new added value to the financial services' sector by involving a digital ecosystem which includes 4 (four) categories of OJK-based online financial services, as follows : (1) Fintech whose core business is payment, clearing and settlement; (2) Fintech which collects various information in the form of comparisons of financial service options starting from feature prices to the advantages of financial products which are then offered to prospective customers; (3) Fintech that focuses on risk management and investment by developing financial planning system software through mapping financial situations and conditions based on basic information entered by users; and (4) Fintech fund collector or financing through applications that facilitate interaction between; individuals acting as debtors and creditors. This type of fintech is known as crowd funding and peer-to-peer (P2P) lending [15].

Research Methods

This research aims to reveal the existence of fintech as a digital platform for economic solutions and the perception of MSMEs in Indonesia. It uses a descriptive research with quantitative method. This descriptive research focuses more on analyzing the existence of fintech as digital media in economic solutions through data sources taken from web searches, statutory regulations, related articles and journals as well as government and non-government publications and a quantitative method attempts to collect quantifiable information using questionnaires distributed via Google Form to 200 respondents selected from MSME members using purposive random sampling to measure perceptions. The results of the questionnaire were analyzed using a Likert Scale related to questions or statements about perceptions. Likert scale with gradations from very positive and very negative. Then the Likert scale format contains four choices with scale values 1, 2, 3, and 4, where the value 1 means negative and the value 4 means positive. In conclusion, the respondents' answers were grouped into two alternative ways, namely: (a) Statements "Strongly Agree" and "Agree" were grouped under "Positive Perception" and (b) Statements "Disagree" and "Strongly Disagree" were grouped under "Perception Negative".

Discussion and Result

The Existence of Digital Platform as Digital Economic Solutions

The term digital economy is not something new in the business world. This is possible because now everything has shifted to the digital realm. All habits today seem to have been digitalized. This is demonstrated by the rapid development of technology, innovation continues to be carried out. The existence of this digital realm provides challenges for entrepreneurs in various fields and makes many adjustments by creating various digital innovations. In this case, Tapscott [16] stated that the digital economy discusses how technology and business strategy are transformed not only in business processes, but also in the transformation of the way products and services are produced and marketed,

company structure and goals, and company dynamics. Apart from that, the digital economy has also brought us to the epicenter of computers, telecommunications and entertainment. So far, the digital economy has been most felt through the phenomenon of electronic commerce (e-commerce) and service markets, such as transportation and hotels. The next thing that will be disrupted is the financial services industry which has become known as Financial Technology. This fintech terminology refers to a combination of information technology and financial services that can change business models and make it easier to enter the industry [16].

The development of Indonesia's digital economy has been in the global spotlight since 2016 when Gojek received funding so that it has a valuation of US \$ 1 billion. With such a large valuation, this startup will be a unicorn group [17].

In line with the statement above, Bolwijn, et al (2018) stated that the concept of digital economy is often used to explain the global impact of information and communication technology, not only on the internet but also in the economic field (18).

The Existence of Fintech for Economic Solutions

The spread of fintech to remote areas of Indonesia has allowed remote communities to enjoy technology-based financial services. People do not have to travel long distances to get financial services. As data revealed by the 2017 World Bank Findek, the number of Indonesians who already have accounts at formal financial institutions is only around 36%, while the remaining 64% of Indonesians do not have accounts and access to formal financial institutions or do not have bank accounts [19]. Thus, it can be argued that more than half of Indonesia's people have not been served by financial services such as banks. Therefore, this is an opportunity for businesses engaged in finance to take advantage of this financial technology.

According to the Indonesian Young Entrepreneurs Association predicted that the total illegal fees (extortion) throughout Indonesia in 2011 will reach IDR 25 trillion [20]. It indicated that the use of cash-based transactions should be limited and reduced by the presence of financial technology. The use of financial technology applications should be mandatory in implementing state activities in managing the State Budget. In addition, the existence of fintech will monitor every transaction of officials and the existence of non-cash community, making it difficult for officials to use the proceeds of corruption.

The Existence of Fintech as Digital Platform for Economic Solutions

The presence of fintech and the application of a non-cash society makes the government can monitor digital money transactions circulating in the community. Circulation of counterfeit money that has been haunting entrepreneurs in multilevel, especially MSMEs, can be eradicated. The absence of counterfeit money will certainly guarantee the welfare and security of the public in the transaction. In addition, SriMulyani, the Indonesian finance minister said that the Third Generation State Revenue Module (MPN G3) is one of the systems built by the Ministry of Finance in order to manage state revenues in a much more

accurate and timely manner. Besides that, it is also in order to provide better services to all people in carrying out their tax obligations. Depositing of state revenue at MPN G3 can also be done via electronic wallets, bank transfers, virtual accounts, and credit cards which are carried out by admissions agents known as other perception institutions such as e-commerce, retailers, and fintech. The fintech company is designated as a perception institution, which currently has a total of 86 banks / posts / institutions [21].

Furthermore, the very rapid development of fintech in Indonesia can bring many benefits that can be felt both individually and nationally in the same class as the nation's economy, as follows: (1) Improve Living Standards. In addition to bringing benefits, the existence of financial technology can actually increase the standard of living and the purchasing power of the people of a nation. For example, the third is a start-up company that is trying to make innovation by presenting a merchant. The merchants who are able to accept various payment processes including credit methods will make it easier to allocate their money. Besides, they don't have to worry about a hike in interest rates. The reason is that by transacting using financial technology, the interest given tends to be low compared to other platforms; (2) Assisting the Development of Start Up Companies. The creation of various fresh innovations in the field of fintech by start-up companies has spread throughout the country. For example, the emergence of digital banking is able to provide detailed and more detailed analysis. Generally, start-up companies of this type are starting to grow in Singapore, they tend to target countries in Asia, including Indonesia, as their target market; and (3) Stimulating Bitcoin Growth. This high-value virtual money is created on a limited scale and can only be accessed digitally. The emergence of financial technology has also influenced the development of bitcoin, you know! From various existing studies, at least 2.5 billion of bitcoin users do not use bank accounts and instead choose to entrust their money to fintech platforms. From this data, it is known that financial technology users can carry out various transactions easily without experiencing the slightest disturbance [22].

On the other hand, with the existing fintech application, the use of physical money will certainly be reduced. Theoretically, a decrease in money demand will cause a decrease in interest rates on the money market, because people will choose to use non-cash payment instruments coupled with saving money in the bank concerned [23]. In this case, business processes that can be completed with fintech include payments, investment, financing, insurance, cross-processing and infrastructure. Not only makes it easier for people to make payment transactions and the like, the existence of fintech is also able to boost the national economy of our beloved country.

It is no longer a secret that in Indonesia, business processes that can be completed with fintech include payment, investment, financing, insurance, cross-processing and infrastructure. Not only makes it easier for people to make payment transactions and the like, the existence of fintech is also able to boost the national economy of our beloved country. In addition, fintech provides structural solutions for electronic-based industrial growth and

becomes a facilitator for the growth of small businesses and creative businesses in reaching a wider market.

Research Finding

From all the statements above, this research has found that the existence of fintech as digital platform for economic solutions and MSMEs' Perception in Indonesia has many benefits as follows: (1) it makes easier for people to conduct transactions through digital media transactions; (2) it can be useful for monitoring every transaction of government officials or state officials as well as the existence of non-cash communities, which of course will make it difficult to move for corruption such as illegal fees; (3) it can certainly help solve public financial problems; (4) it has an impact on monetary stability, financial system stability, efficiency, smoothness, security, security and reliability of the payment system; (5) it can also be useful in managing the State Revenue and Expenditure Budget.

MSMEs' Perception

Table 1. Gender of Respondents

Gender	Total	Percentage
Male	98	49 %
Female	102	51 %
Total	200	100%

The table 1 above explained that the majority of respondents were female MSMEs, namely 51%, while male MSMEs were 49% of the 200 respondents. It means that the MSMEs sector has involved not only male but also many women who are ready to adapt to advanced finance technology.

Table 2. MSMEs who know about Fintech

MSMEs	Total	Percentage
Know Fintech	200	100 %
Don't know Fintech	0	0 %
Total	200	100%

The table 2 above explained that 100% MSMEs know fintech. It means that fintech is not something new for the MSMEs sector. As stated above that the presence of financial technology (fintech) in Indonesia helps micro, small and medium enterprises (MSMEs) develop their businesses.

Table 3. MSME perceptions are based on the benefit aspects found in this research

N o	Statement	Strongly Agree	Agree	Disagr ee	Strongl y Disagre e	Resp.
1.	It makes easier for people to conduct transactions through digital media;	40	125	35	0	200
		20,0%	62,5%	17,5%	0,0%	100%
2.	It can be useful for monitoring every transaction of government officials	58	96	46	0	200
		29,0%	48,0%	23,0%	0,0%	100%
3.	It can certainly help to solve public financial problems.	46	124	30	0	200
		23,0%	62,0%	15,0%	0,0%	100%
4.	It has an impact on monetary stability, financial system stability, efficiency, smoothness, security, security and reliability of the payment system	38	111	49	2	200
		19,0%	55,5%	24,5%	1,0%	100%
5.	It can be useful in managing the State Revenue and Expenditure Budget	43	112	41	4	200
		21,5%	56,0%	20,5%	2,0%	100%

The table 3 above explained that MSMEs Perception based on the benefit aspects found in this research as follows: (1) it makes it easier for people to conduct transactions is positive, which is proven by the statement that 20.0% strongly agree and 62.5% agree; (2) it can be useful for monitoring every transaction of government officials is positive as evidenced by 29.0% strongly agreeing and 48% agreeing; (3) it can certainly help solve public financial problems is positive as evidenced by the statement that 23% strongly agree and 62% agree; (4) it has an impact on monetary stability, financial system stability, efficiency, smoothness, security, security and reliability of the payment system is positive as evidenced by the statement that 19% strongly agree and 55% strongly agree 5% agree; and (5) it can also be useful in managing the State Revenue and Expenditure Budget is positive as evidenced by the statement that 21.5% agree and 56.0% strongly agree.

Summary

The result and discussion above found that the existence of fintech as a digital platform for economic solutions and the perception of MSMEs in Indonesia based on several beneficial aspects as follows: (1) makes it easier for people to make transactions, 82.5% of positive perceptions; (2) can be useful for monitoring every transaction of government officials, 77% positive perception; (3) can help solve people's financial problems, 85% of positive perceptions; (4) impact on monetary stability, financial system stability, efficiency, smoothness, safety, security and reliability of the payment system, 74% positive perception; and (5) can be useful in managing the State Revenue and Expenditure Budget, 77.5% of positive perceptions. Therefore, it concludes that the existence of fintech as a digital platform for economic solutions and the perception of MSMEs in Indonesia have shown significant benefits for the country's economy.

Implication

These results have implications as an additional reference for related parties to consider the existence of fintech as digital platform can be an alternative economic solution in Indonesia.

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