

Implementation of Technology, Efficiency, Knowledge, Risk on Trust Level of Fintech Used in MSMEs in Tangerang City

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Abstract: Micro, Small, and Medium Enterprises (MSMEs) are increasingly growing with the development of technology, where MSMEs are one of the pillars of the strength of the Indonesian economy. Fintech is one of the drivers in helping to improve finance for MSMEs, especially those in the middle and lower classes. At least more than 40 Fintech businesses have emerged throughout 2017. By utilizing the development of Fintech, in addition to increasing efficiency in the financial sector also minimizing the risk of fraud and cybercrime in the financial sector. For this reason, it is necessary to increase knowledge to MSMEs regarding the benefits of using Fintech, so that the level of trust in MSMEs towards Fintech is increasing, and the use of Fintech is every day.

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are increasingly growing with the development of technology, where MSMEs are one of the pillars of the strength of the Indonesian economy. It can be said that MSMEs play a role in maintaining economic stability. Rapid technological developments in the digital era are increasingly complete with the presence of Fintech. The term Fintech is a financial service using a technology base which of course will further facilitate the technology base which certainly facilitates transactions. This new financial model, Fintech, was first introduced in 2004 by Zopa, the British Financial Institution which runs a loan service which later in 2008 was continued to become Bitcoin by Satoshi Nakamoto.

Fintech can eliminate the role of banks or financial institution services in providing financial services to customers, assisting customers in making financial decisions, reducing operating costs, risk of losses due to bad loans, and developing markets. The implication of Fintech in MSMEs makes it easy for MSMEs to access financial service products offered and apply for financing without having to come directly to banking branches or other financial institutions. Besides financing, Fintech is also used

in payment transactions. Payment transactions are the most developed activities. The data below shows the distribution of Fintech technology activities in Indonesia:



Figure 1. Distribution of Financial Technology Activities in Indonesia

Source: Fintech Indonesia

2. LITERATURE REVIEW

Technology

The technological context refers to internal and external technology, including equipment and processes. This context also describes both new technologies and old technologies that are relevant

to the organization. The results of the study show that on the technological aspects:

- a) **Relative Advantage**
According to Rogers (1983), relative advantages are technological factors that can be felt as providers of benefits for companies.
- b) **Compatibility**
Rogers (2003) argues that compatibility is the extent to which it is innovation is perceived as consistent with existing values, experience, and the needs of potential adopters.
- c) **Complexity**
Complexity is a level of difficulty in understanding and using the system (Sonnenwald et al., 2001).

Efficiency

Finance Technology or Fintech is a financial services digitalization program that can improve the efficiency of financial transactions. Also, it makes it easier for people to get financial access. Lately, Bank Indonesia (BI) seems to be pushing hard to encourage Fintech to increase competitiveness in the era of globalization of financial technology. At present many financial sectors, especially banks, are using Fintech as an effort to improve efficiency. The trend of using cards more often than cash seems to underlie the banking sector to be more efficient in financial services. The Indonesia ICT Institute Executive Director Heru Sutadi explained, even though the use of technology in finance was not cheap, if the entire community helped support BI's efforts to develop Fintech, the costs would not be large.

Knowledge

Knowledge about Fintech has a big contribution to MSMEs in using Fintech itself. Lack of knowledge about Fintech will cause the UMKM's low level of confidence in using Fintech. According to Baihaqi (2016) uses two indicators to measure the knowledge of MSME actors, namely:

- 1) **Declarative knowledge**
Declarative knowledge is knowledge of facts and based on concepts.
- 2) **Procedural knowledge**
Procedural knowledge is the knowledge that is consistent with applicable accounting rules or standards, usually depending on experience.

Risk

The three risks below are not only centered on the risks experienced by users, but also for Fintech

owners, and even the state. Therefore, the government, through OJK and BI made regulations and solutions so that Fintech could still run safely.

1. **Risk of cybercrime**
This is the most potential risk. Fraud, misuse of client data, digital signatures that can be faked, and various other cybercrimes against vulnerable data security need to be addressed.
2. **Risk of default**
For Fintech who runs a business as financing or credit, the risk of default is quite worrying. Investors themselves must be prepared from the start that the risk of taking credit default risk is their responsibility.
3. **Risk of funds laundering and acts of terrorism**
The presence of Fintech also has a risk of funds laundering and funding for terrorism. Easier and faster financial transactions cause this risk.

So far, Bank Indonesia has also set conditions that must be met in order to be able to make transactions. These conditions are 1) must have institutions that are in Indonesia, 2) all types of transactions must be made in rupiah currency, and 3) all funds must be placed in banks. (Ana Fauziah, 2017).

Fintech

Fintech comes from the term Financial Technology, which is defined as innovation in financial services which is an innovation in the financial sector that gets a modern touch (Ernama, 2017). Financial transactions through this technology include payment, investment, money lending, transfers, financial plans, and comparison of financial products. The financial industry technology (Fintech) is one of the financial service's methods that became popular in the digital era today. Digital payments are one of the sectors in the Fintech industry that is the most developed in Indonesia. This sector is then most expected by the government and society to encourage an increase in the number of people who have access to financial services. (Budi Wibowo). The picture below shows the evolution of Fintech from year to year.

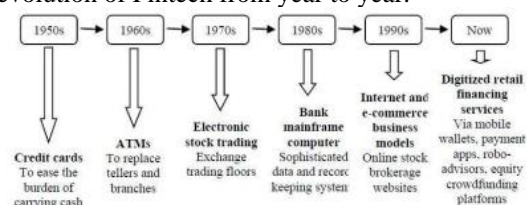


Figure 2. The evolution of Fintech

Source: Auditia Setiobudi, et al. (2018)

3. RESEARCH METHODOLOGY

The method used in this study is descriptive qualitative. This research was conducted to find out more about indicators in the Technology, Efficiency, knowledge, and risk framework for the level of trust in Fintech use in MSMEs. The method of data collection is conducted through semi-structured interviews to describe the phenomenon of application-based cashless payment. Interviews conducted are with business people (SMEs) who use financial technology such as TCash, OVO, and so forth.

4. DISCUSSION

Fitri Nuraini, Rieska Maharani and Andrianto (2016)

Based on the research conducted by Fitri Nuraini, Rieska Maharani and Andrianto (entitled *The Strategy for Increasing MSME Competitiveness and Cooperatives in Facing the ASEC (Asean Economic Community): A Study of Library*, the role of MSMEs is very important in creating employment for the community and contributing non-export products, oil and gas which can increase the country's foreign exchange income.

Nofita Wulansari, Wahyu and Yunus Kurniawan (2017)

Based on the research conducted by Nofita Wulansari, Wahyu and Yunus Kurniawan (entitled *Acceleration of Economic Growth Through MSME Synergy and Good Governance in Indonesia*, the role of MSMEs in Indonesia is an crucial point in driving economic growth. MSMEs can survive and save the nation's economy when a crisis occurs.

Budi Wibowo (2017)

Based on research conducted by Budi Wibowo (2017) with the title *Fintech Analysis in Building Economy in Indonesia*, the presence of technology-based financial services (FinTech) in Indonesia has become a necessity in line with the development of information and communication technology.

Auditia Setiobudi, Trianggoro Wiradinata (2018)

Based on the research conducted by Auditia Setiobudi, Trianggoro Wiradinata (2018) entitled *SME Intention in Adopting Financial Technology in*

East Java, the intention of the Indonesian people (in East Java in particular) towards financial technology products is quite high. From the UKM side or the merchant and the customer side, there are lots of advantages. The sustainability and development of this product are supported by the company's resources and competencies that are demonstrated.

5. CONCLUSION

The results of the study explain that mobile payment services will be one of the influential factors, especially in vertical Fintech and in general, in the financial landscape. The challenge that has always been there is to educate the public as customers to optimize banking-based financial services. However, the application-based approach seems to be able to make the community educated on its own. The thing offered by the application is user experience to solve particular problems. Technology also affects user acceptance of mobile payment services. This is related to the way of conducting transactions. The needs are unique, so it can be concluded that certain technologies are not necessarily suitable for all services. From what is currently available, the average mobile payment utilizes three platforms for payment, namely QR Code, NFC (Near-Field Communication), and OTP (One-Time Password). In terms of MSMEs or merchants and the customer side, there are many advantages. The sustainability and development of this product are supported by the company's resources and competencies that are demonstrated.

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