

DEVELOPMENT OF FINTECH-BASED BANKING VOCATIONAL PRODUCTS TO IMPROVE MSME FINANCIAL ACCESS

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ABSTRACT

This research aims to develop fintech-based banking vocational products that can increase access to finance for Micro, Small and Medium Enterprises (MSMEs). This study uses a qualitative method by collecting data through interviews with fintech experts and MSMEs who have used fintech services. The results of the study show that the development of fintech-based banking vocational products can increase MSME financial access. The product being developed is a digital banking application that is equipped with features such as online account opening, online credit applications, digital payments, and business consulting services. This application has a user-friendly interface and is easy for MSMEs to use. This research also shows that fintech-based banking vocational products can help increase business efficiency and speed up the process of financial transactions. This can help MSMEs to overcome liquidity constraints and accelerate their business development process. Overall, this research shows that the development of fintech-based banking vocational products can be a solution to increase MSME financial access. The products developed can help MSMEs overcome liquidity constraints, speed up the process of financial transactions, and increase their business efficiency.

Keywords: Vocational Products, fintech, Finance, MSMEs

INTRODUCTION

The growth of Micro, Small and Medium Enterprises (MSMEs) has an important role in a country's economy. They contribute to job creation, increased income, and overall economic growth. However, MSMEs often face obstacles in accessing the financial resources needed to develop their businesses. In an effort to build a people's economy, the President of the Republic of Indonesia has given directions to carry out the development of Upgraded MSMEs and Modernization of Cooperatives. The role of MSMEs is very large for Indonesia's economic growth, with their number reaching 99% of all business units. The contribution of MSMEs to GDP also reaches 60.5%, and to employment is 96.9% of the total national employment absorption. (Kementerian Koordinator Bidang Perekonomian, 2022).

Micro, Small and Medium Enterprises (MSMEs) in the national economy have an important and strategic role. However, MSMEs still have problems, both in obtaining financing and in developing their business. In terms of financing, there are still many MSME actors who experience difficulties in obtaining access to credit from banks or other financial institutions, either due to technical constraints, for example not having/insufficient collateral, or non-technical constraints, for example limited access to banking information. In terms of business development, MSME actors still have limited information regarding financing patterns for certain commodities. On the other hand, banks also need information about potential commodities to be financed. (Bank Indonesia, 2018). Lack of access to finance is one of the main obstacles faced by MSMEs. Conventional banks tend to be reluctant to provide loans to MSMEs because they are considered to have a high risk. This makes it difficult for MSMEs to obtain the necessary financing to develop their businesses.

The development of fintech-based banking vocational products is an approach that has the potential to increase MSME financial access. Through this approach, vocational or higher education institutions can work together with the banking sector and the *fintech industry* to develop financial products that suit the needs and characteristics of MSMEs.

LITERATURE REVIEW

Productive digital Micro, Small and Medium Enterprises (MSMEs) are the main key in accelerating national economic recovery. Based on data from the Ministry of Cooperatives and SMEs, the number of MSMEs in Indonesia has touched 64.2 million in 2018 or the equivalent of 99.99% of the total number of business actors. In accordance with President Joko Widodo's directives in early April 2021, the credit ratio intended for MSME players is targeted to reach 30% in 2024. (Kementerian Koordinator Bidang Perekonomian, 2022)

Meanwhile, digital banking transactions are projected to increase by IDR 32 trillion or grow by 19.1% in 2021. In practice, several obstacles for MSMEs in obtaining access to credit are the lack of information regarding MSME profiles and the failure to meet risk management requirements. *Fintech* is here to be an additional option for MSMEs who want to get financing. During the Covid-19 pandemic, 52 *fintech organizers* who are members of the Indonesian *FinTech Association* (AFTECH) have provided a total of 55 incentive programs, conveniences and financial solutions for people affected by their economies. This continues to be carried out and developed by involving fintech providers from various business models such as *P2P lending*, *Financial Planners*, *Project Financing*, Digital Wallets, and others. This is done considering the huge potential for collaboration between fintech organizers and MSME actors in presenting real solutions that support accelerating national economic recovery. (Kementerian Koordinator Bidang Perekonomian, 2022)

Digital-based products and services, especially in the *financial technology (fintech) category*, have experienced an increase in market share this year. In addition, the growing presence of small and medium enterprises (SMEs) is also a trigger for the development of the fintech industry *in the country*. (Marcomm, 2020). However, the use of fintech-based vocational banking products is not yet fully known and used by MSME actors. It is necessary to study specifically what banking vocational products need to be developed and studied for their development. Therefore, this study aims to develop fintech-based banking vocational products that can increase access to finance for Micro, Small and Medium Enterprises (MSMEs).

METHODOLOGY, RESULTS AND DISCUSSION

Methodology

Research is carried out through studies and analysis from various reference sources regarding the topics and issues discussed. This type of research is included in the qualitative type while the type of writing used is descriptive. Data collection was carried out through various research journals, articles, interviews and secondary data. By using discussions between academics and several banking officials to formulate the results of distributing questionnaires to *the sample* and designing the development of a product. This product is planned and designed to overcome the challenges faced by MSMEs in obtaining the financing needed for the growth and development of their business. In this research, we integrated the design of the *fintech technology concept* with the concept of banking vocational education to create more efficient, transparent and easily accessible solutions for MSMEs.

The research methods used include field surveys on *users* (MSMEs), interviews with banks, and data analysis to understand the needs and challenges of MSMEs in accessing financing. The research flow can be seen in the following diagram:

Figure 1 Research Flow



For determining the sample, understand the meaning of MSMEs according to the Law of the Republic of Indonesia No. 20 of 2008 concerning MSMEs. Article 1 states that micro-enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for micro-enterprises as stipulated in the Act. Small business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or non-subsidiaries that are owned, controlled or become part, either directly or indirectly, of medium or large businesses that meet the requirements the criteria for small businesses as referred to in the law.

Some of the criteria used in the law to define MSMEs listed in Article 6 are net worth or asset value excluding land and buildings for business premises, or annual sales proceeds. With the following criteria:

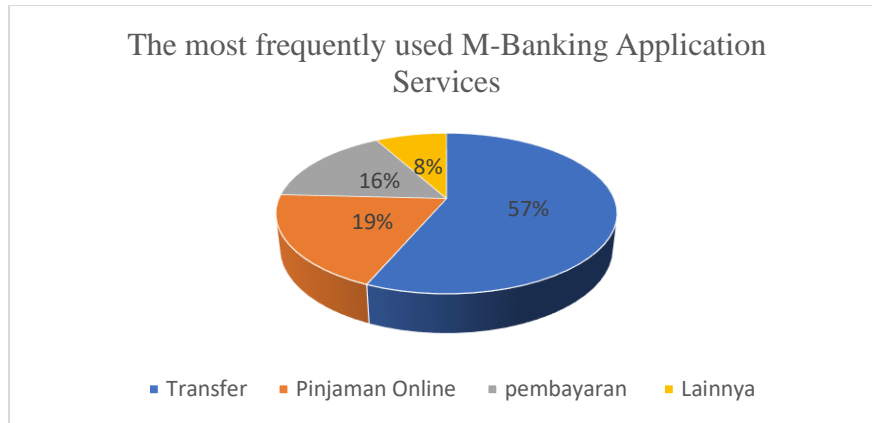
- a. Micro business is a business unit that has assets of at most Rp. 50 million and does not include land and buildings for business premises with maximum annual sales of Rp. 300 million. Small businesses with an asset value of more than Rp. 50 million up to a maximum of Rp. 500 million excluding land and buildings where the business has annual sales of more than Rp. 300 million up to a maximum of Rp. 2,500,000.00,
- and. c. Medium business is a company whose net worth is more than Rp. 500 million and a maximum of Rp. 100 billion and annual sales of more than Rp. 2.5 billion and the highest reaches Rp. 50 billion.

Thus the researcher took a sample of business actors who met the criteria based on the Law of the Republic of Indonesia No. 20 of 2008 concerning MSMEs. Using *random sampling*, 63 companies took part in the *Focus Group Discussion* in Tasikmalaya on 7 December 2022 out of 6,257,390 total MSMEs in West Java(Open Data Jabar, 2023)

Research Result

Based on the results of distributing questionnaires with 63 MSME actors who were present at the FGD event at Cipasung Tasikmalaya University, the results of the questionnaire were obtained as follows:

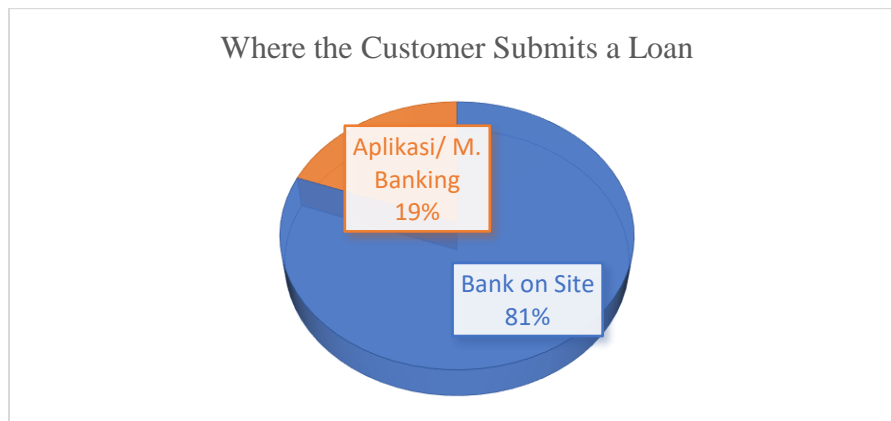
Figure 2 The Most Frequently Used M-Banking Application Services



Data source processed in 2023

In the diagram above, MSME actors mostly use M-Banking to transfer funds to other banks and only 19% make online loans. This shows that most users do not understand the other functions of *mobile banking*. As there are several bill payment features, digital wallets, merchant purchases, and various other convenience transactions. Users only know that *M-Banking* is only used to transfer funds to peers or between banks. On the other hand, *users* also need to be educated about some of the features available in *Mobile Banking*, at least by providing *a handout* when opening an account.

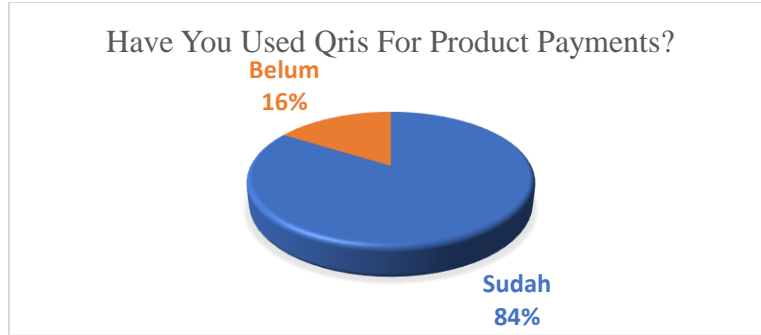
Figure 3 Where the Customer Submits a Loan



Data source processed in 2023

In the diagram it can be seen that on average MSME actors apply for loans to banks by coming to the bank directly. Unlike applying for an *online loan*, which can be done online *and* is more flexible. Submissions to banks must be *on-site* due to risk mitigation for customers carried out by banks, requiring *on-site data collection* which makes customers or MSME actors sometimes choose to make loans *online to the pay later platform* from other loan applications, even those that are not registered. at OJK. This of course can have an impact on the risk of unhealthy financial management if it is not followed up properly. So it will be necessary to design several loan feature developments that are easy but still on the concept of risk mitigation.

Figure 4 Using QRIS for Product Payments



Data source processed in 2023

From the diagram above, as much as 84% of MSMEs have used Qris as a means of payment for purchasing their products. From the results of the questionnaire, it was found that some MSME actors are familiar with *fintech- based banking vocational products* , but they prefer to do financing manually.

From the results of the questionnaire above, it can be seen that the potential for MSMEs to develop their business is constrained by understanding the features that exist in banking. One strategy that can be implemented to develop MSMEs is through increasing access to financing. The MSME segment credit portion for most banks in Indonesia is still very low in terms of the total loans disbursed. According to data from Bank Indonesia (Bank Indonesia, 2022), the MSME loan portfolio as of August 2022 only reached IDR 1,214 trillion or around 19.7% of the total bank loans which reached IDR 6,155 trillion. Several government policies include increasing the MSME loan portion by 20% in 2022 and gradually increasing it to 30% in 2024, credit restructuring and administrative relaxation for prospective KUR debtors and subsidizing KUR interest so that KUR interest is only 3% until December 2022(Kementerian Koordinator Bidang Perekonomian, 2022)

Discussion

Based on OJK data as of August 2022, (Otoritas Jasa Keuangan, 2022)MSME financing that has been carried out by the non-bank financial industry, in this case Fintech P2P Lending and Financing Institutions, has reached IDR 151.9 trillion or 32.97% of all financing carried out by Fintech P2P Lending and Financing Institutions. This percentage is higher than the banking industry. This indicates that the non-bank financial industry (Fintech P2P Lending and Financing Institutions) has paid more attention to financing MSMEs. However, according to data from the Indonesian Joint Funding *Fintech Association* (AFPI), in 2020, there are still around 46.6 million or 77.6% of MSMEs in Indonesia that have not received financing from either banks or non-bank institutions.

According to the OJK press release dated 7 October 2022, (Otoritas Jasa Keuangan, 2022)OJK is committed to continuing to accelerate the expansion of public financial access or inclusion in order to support the government's priorities in improving welfare and encouraging national development. One of the programs carried out by the OJK since 2016 is to initiate October as the Financial Inclusion Month (BIK) which is held in an integrated, massive and sustainable manner in all regions of Indonesia to encourage the achievement of the financial inclusion target of 90 percent in 2024 and support the Economic Recovery Program National (PEN). OJK focuses on expanding financial access policies, one of which is the Credit/Financing Against Moneylenders (K/PMR) program, which is credit/financing for Micro and Small Enterprises (MSEs) with a fast, easy and low-cost process. As of the second quarter of 2022, the K/PMR Program has been implemented by 76 TPAKD at the provincial/district/city level with 107 financing model

schemes, and the realization of distribution to 337,940 debtors and funds disbursed amounted to IDR 4.4 trillion.

Therefore, in order to achieve the various targets set by the government, especially in the context of supporting MSME inclusion and digitization, support is needed in the form of cooperation and synergy with various parties, including from the Financial Services Industry (IJK). This is important so that MSMEs can further develop and make a greater contribution to the country's economy.

Departing from these conditions, West Java Governor Ridwan Kamil, West Java together with bank **bjb** made an important breakthrough in launching a financing scheme for micro and small business actors, namely the **Bjb** Mesra credit. This is a joint program to encourage the West Java economy to be a Champion Born and Inner. (Bank BJB, 2022)

BJB Mesra is a loan facility provided by bank **bjb** to individual micro business actors who are not yet *bankable* with a maximum ceiling of IDR 5,000,000. The advantage of the friendly **bjb** product is 0% interest. Interestingly, **bjb** Mesra rolls around without collateral and is free of provision fees. (Bank BJB, 2022)

The financing innovation rolled out by the West Java Provincial Government and bank **bjb** is relatively new. No wonder **bjb** Mesra is one of the programs highlighted by the central government. The proof is that **bjb** Mesra was able to come out as a finalist nomination for Top Public Service Innovation in 2022 which was organized by the Ministry of Administrative Reform and Bureaucratic Reform (Kemenpan RB). (Bank BJB, 2022)

bjb Mesra credit program has been running for almost 4 years with very good achievements. No less than 9,321 debtors from various communities of places of worship have benefited from this program. It was noted that the distribution of Mesra **bjb** financing was more than IDR 37 billion. (Bank BJB, 2022)

Not only that, bank **bjb** has also provided the **bjb** Mesra application to facilitate access for prospective borrowers. Currently, **Bjb** Mesra Credit can be served in all bank **bjb office networks** .

Furthermore, after conducting a literature review on *fintech technology* that is relevant to the banking and MSME sectors. From the results of the MSME questionnaire answers, and analysis of the intimate **bjb** program, *Focus group discussions* were carried out with banks and several IT parties and discussions with the local BJB Bank, to develop the friendly **bjb** program, an extraordinary initiation by Governor Ridwan Kamil, there is a need for additional innovations in *fintech -based banking vocational products* that The development is expected to include:

1. *Platform* : The Bank develops a digital platform that allows MSMEs to apply for loans or financing online . a digital banking application equipped with features such as online account opening, online credit applications, digital payments, and business consulting services. This *platform* is designed with an intuitive and easy-to-use interface, enabling MSMEs to upload the required documents and information, and track application status. them in *real-time*.
2. Automated Risk Evaluation System: Banks and developers implement data-driven risk analysis algorithms and models to automatically evaluate the eligibility of MSME loans. By using *machine learning techniques* and data analysis, this system can reduce the time needed to assess risk and increase the speed of financing approval.
3. Financial Education: banks and academics work together to create financial education modules on *the platform* to help MSMEs understand basic financial concepts, financial management, and an

understanding of the financial products they use. This module serves as a source of knowledge that can be accessed by MSMEs to increase their understanding of business financial management.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of research and analysis of the literature, to develop and support MSME development programs, easy access to financing is needed but with minimal risk for banks and for the MSME actors themselves. and low risk so that it can increase MSME financial access by adding MSME financial report features, and machine learning to minimize risk and financial modules and various financial management training by academics. The results of this study are expected to make a positive contribution in increasing access to finance for MSMEs and to be followed up as a sustainable and just economic development program. With the use of fintech-based banking vocational products that are planned and expected to be developed, MSMEs are expected to be able to obtain financing more easily, increase business growth opportunities in West Java and contribute to the economy as a whole

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