The Impact Of Mobile Money On

Financial Performance Of Msmes In Indonesia

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ABSTRACT

The traditional financial system is ignored by the banking system, cellular money services (MMS) as an alternative means of payment in carrying out small and medium business activities (MSMEs). Regardless of its potential in promoting inclusive growth, the use and adoption of mobile money (MM) by MSMEs is still too low in Indonesia, and one reason is that there is limited data that supports its impact on financial performance. As a result, there is a need to investigate the impact of cellular money payments and receiving services on MSMEs financial performance in Indonesia. Payments and receipts of mobile money account for 73% of MSMEs total turnover variant in Indonesia after they started using technology. By confirming the positive relationship between use of mobile money services and business financial performance, it is hoped that all relevant stakeholders will see this as a possible solution to the financial challenges facing MSMEs in Indonesia.

Keywords: MSMEs, Mobile money, financial performance

1. Introduction

Micro, Small and Medium Enterprises (MSMEs) have long been understood to have a significant role for a country's economic development (Audretsch, Van der Horst, Kwaak, and Thurik, 2009; Sara Carrter and Jones-Evans, 2006). Specifically, the existence of MSMEs is believed to be able to contribute to poverty alleviation efforts through job creation (Samuel Adomoko, Danso, and Damoah, 2016). On this basis, through the Phase IV Economic Policy Package, the government provides capital credit to export-oriented MSMEs or engaged in export-supporting activities, with an interest rate lower than the commercial interest rate in general (Bank Indonesia, 2015).

About 98% of MSME management in Indonesia is owned by individuals or family businesses, and around 51% of these MSME managers are relatively low-educated, so that it is difficult to apply high technology to MSMEs in Indonesia. MSMEs tend to rely heavily on money. As a result, they usually transact business with suppliers, to buy or pay for goods by traveling to suppliers, which may entail a significant risk of theft or loss of money. In the case of MSMEs that have bank accounts other than the cost losses incurred by high bank fees, documentation and transportation, owners are often asked to queue for a long time before they can gain access to banking, which makes it very difficult to take advantage of opportunities that may arise for them. waiting for the required money to be disbursed by the bank. Since MSME business owners are sole traders operating in a very informal manner and businesses are often only managed by the owner and perhaps one or two of their family members, they often have to leave their business unattended. a few hours to make transactions at the bank. As a result, sales are lost, and their prospects for survival are seriously threatened.

As it has become evident that in order to survive and achieve growth, MSMEs in Indonesia need to streamline procedures, reduce operating costs and eliminate unnecessary time loss, The emergence of the mobile money phenomenon is very precise. Where mobile money allows MSMEs to receive payments directly from customers and also make payments directly to suppliers via cell phones, without being obliged to leave or close their premises for long periods. As such, it provides a viable means for people or MSMEs who do not have access to a bank account to carry out financial transactions easily, have access to funds when needed, without incurring additional costs such as transportation costs and bank fees, and significantly improve their business performance. as a consequence.

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Mobile payment services are increasingly popular with the increase in smartphone use by up to 70% in the last five years in Indonesia. Moreover, there are more card-free e-wallet applications for transactions. Based on data from Bank Indonesia, 38 e-wallets have received official licenses. In 2018, e-wallet transactions in Indonesia reached USD1.5 billion and is predicted to increase to USD 25 billion in 2023. According to the Financial Services Authority (2017) one of the most popular uses of Fintech is Payment Gateway as much as 42.22% , while for P2P it was 17.78%, Aggregator was 12.59%, Risk and Investment Management was 28%. One of the fast growing Payment Gateways in Indonesia is OVO, Go-Pay, Link Aja, Jenius and Sakuku.

According to Donner and Escobari (2010) mobile phones have helped MSMEs to be more productive and increase their sales, thereby increasing financial performance. According to Sartono (2012; 113) there are several types of profitability such as, ROA (Return on Assets), ROE (Return on Equity), ROI (Return on Investment), Sales Revenue. In addition, sales revenue can also be used as a variable to measure the company's financial performance (Ngaruiya et al, 2014).

2. Literature Review

2.1 Transaction Cost Theory

Transaction cost theory examines whether a company should make something or buy it (Coase, 1937; Williamson, 1998). If a company can obtain resources and produce products alone, then the company does not need to make agreements with other companies. However, this is usually not the case, and it is often advantageous for a company to enter into a trade or other type of agreement with another company. In line with Transaction Cost Theory, Theory of Disruption (Clayton M. Christensen, 2015), also discusses an innovation that will replace the entire old system in new ways, such as replacing old technology with digital technology that produces something completely new. For example, there is one type of fintech, namely Payment Gateway which uses a cashless society.

Based on these two theories, it is hoped that Payment Gateway can function as a tool to give confidence to MSMEs to produce products and obtain their own resources and provide great opportunities by collaborating with online transactions such as OVO, Go-Pay, Link Aja, Jenius and Sakuku.

2.2 Mobile Money

Mobile Money is defined as a means of payment that fulfills the elements issued on the basis of the value of money previously deposited to the issuer; the value of money is stored electronically in a medium such as a server or chip; and the value of electronic money managed by the issuer is not a deposit as referred to in the law governing banking. (*Bank Indonesia Regulation Number 11/12 / PBI / 2009*). The use of Electronic Money as a means of payment can provide the benefit of providing convenience and speed in making payment transaction transactions without the need to carry cash. No longer receiving change in the form of goods (such as candy) because the merchant does not have change of small value (change). Very applicable for mass transactions with small value but high frequency, such as: transportation, parking, tolls, fast food, etc

2.3 Financial Performance

Financial performance is a description of the company's success in the form of results that have been achieved thanks to various activities that have been carried out. Financial performance is an analysis to assess the extent to which a company has carried out activities in accordance with the rules of financial implementation. Profitability ratio, describes the company's ability to earn profits through all existing capabilities and resources. Sales Revenue According to Ngaruiya et al (2014) one of the indicators of financial performance is sales revenue. Sales revenue is the sum of all company revenues from the sale of a number of products (goods produced).

3. Research Methodology

This research uses quantitative methods, questionnaires and primary data. By distributing 53 samples from 60 populations using the calculation of the Slovin formula. The object of this research was conducted in MSMEs Bogor Regency, West Java. This study wants to see whether the impact of mobile money (mobile money) affects the financial performance of MSMEs. In the scope of the research, the researcher gives a limitation, namely only discussing whether there is an impact of Mobile Money (mobile money) on the financial performance of MSMEs. The analysis technique uses validity test, reliability test, normality test, determination coefficient test (R2) and partial test (t).

Tables1. Research Metodology

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.603[a]	.364	.351	.530	2.177

a. Predictors: (Constant), *Mobile Maney*
b. Dependent Variable: financial performance

The result of the R Square value in the table above is 0.364. The value of R Square is also known as the coefficient of determination. The value of the Coefficient of Determination is 0.364 or 36.4%, this number means that the level of the relationship is large enough that the financial performance that occurs can be explained by using the Mobile Money variable, while the remaining 63.6% is explained by other factors not included in this research.

4. Results

In the regression equation to determine the constant number and the significance hypothesis test using the t test to test the Mobile Money variable which is used as the independent variable for the financial performance variable. It is known that the sig value for the Mobile Money (X) variable on Financial Performance (Y) is 0,000 <0.05 and the t count value is 5,397> t table (51) 2.007, then H0 is rejected

and H1 is accepted, which means the regression coefficient is significant, so it can be concluded that the hypothesis is accepted which means there is an impact of mobile money (X) on financial performance (Y).

From the analysis test that has been done, it can be found that the effect of Mobile money on the financial performance of MSMEs is acceptable or which means significant with the results of the t test sig value for the Payment Gateway (X) variable on Financial Performance (Y) of 0.000 <0.05 t count 5,397> t table 2,007.

5. Discussion

There are five indicators of Mobile Money in the questionnaire testing, namely Performance Expectations, Social Influence, Facility Conditions, Business Expectations and Security. Of the five indicators that have been filled in by respondents, the indicator of Business Expectations has more influence on MSMEs. This is in line with the results of the analysis test carried out that there is an impact of Mobile Money on the financial performance of MSMEs, which means that MSMEs that have used Mobile Money as their transactional means expect their businesses to be more advanced following the times. This research proves that the impact of Mobile Money such as OVO and Go-Pay is very large in the field of MSMEs because transactions become easy and their sales revenue increases. This study is in line with research researched by Ngaruiya et al (2014) that the results show that Mobile Money has a significant effect on sales revenue (Sales Revenue).

6. Conclusion

Over the last few years Mobile Money has increased financial inclusion in Indonesia and has also improved the way of life of many households and MSME business operations. The benefits of the Mobile Money service can be used to overcome some of the difficulties faced by MSMEs in Indonesia.

The main source of doing business effectively by MSMEs in order to increase economic growth, one of which is to recommend in advance that MSMEs in Indonesia should be able to fully utilize Cellular Money services which have the potential to improve financial performance.

The two governments must support this development, regarding the concept of mobile money in Indonesia, covering mobile money in general, the division of authority between BI and OJK regarding payment & non-payment, as well as the regulatory sandbox concept and the differences in the framework based on BI and OJK. In addition, it also discusses the legal perspective of financial technology in Indonesia, which includes the basic framework for fintech regulations on payments and non-payments. It is hoped that it will further open the views of advocates regarding the development of fintech that is currently happening in Indonesia.

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