

The Influence of Fintech on The Development of Islamic Financial Inclusion in MSMEs in Tanak Awu Village

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Abstrak

Pesatnya perkembangan teknologi menuntut kita untuk lebih memahami dan mengikuti arus globalisasi, sejalan dengan itu, Fintech muncul sebagai salah satu dampak dari perkembangan teknologi yang semakin modern terutama dalam hal keuangan. Fintech hadir untuk menjawab kebutuhan masyarakat akan pentingnya kemudahan dalam setiap proses ekonomi yang melibatkan keuangan syariah. Fintech berbasis syariah akan semakin meningkatkan inklusi keuangan pada UMKM karena pengelolaan keuangan yang dikelola syariah sesuai dengan tuntunan agama, sehingga berdampak baik bagi pengelolaan keuangan UMKM. Pengelolaan yang baik juga akan berdampak baik pada peningkatan UMKM sehingga akan meningkatkan stabilitas perekonomian di Indonesia. Tujuan penelitian ini adalah untuk mengetahui pengelolaan fintech (manajemen risiko dan investasi, penyediaan pasar, dan cashless society) terhadap inklusi keuangan syariah (pengetahuan keuangan, perilaku keuangan, dan sikap keuangan) pada UMKM di Kota Mataram. Penelitian yang dilakukan termasuk jenis penelitian kuantitatif. Populasi penelitian ini adalah industri UMKM di desa Tanak Awu dengan menitikberatkan pada penggunaan data arsip (archival method). Penelitian ini menggunakan analisis deskriptif dan uji asumsi klasik. Rencana dalam penelitian ini adalah untuk mengetahui pengaruh simultan dan parsial variabel fintech (risiko dan manajemen investasi dan penyediaan pasar) terhadap inklusi keuangan syariah (pengetahuan tentang keuangan syariah, perilaku keuangan).

Kata Kunci: Fintech, Inklusi Finansial Syariah, UMKM

Abstract

The rapid development of technology requires us to better understand and follow the flow of globalization, in line with this, Fintech has emerged as one of the impacts of increasingly modern technological developments, especially in terms of finance. Fintech is here to answer people's needs for the importance of convenience in every economic process that involves Islamic finance. Sharia-based fintech will further increase financial inclusion in MSMEs because financial management managed by sharia is in accordance with religious guidelines, so that it will have a good impact on MSME financial management. Good management will also have a good impact on increasing MSMEs so that it will increase economic stability in Indonesia. The purpose of this study was to determine fintech management (risk and investment management, market provisioning, and cashless society) on Islamic financial inclusion (financial knowledge, financial behavior, and financial attitude) in MSMEs in the city of Mataram. The research conducted includes the type of quantitative research. The population of this research is the MSME industry in Tanak Awu village by focusing on using archival data (archival method). This study uses descriptive analysis and classical assumption test. The plan in this study is to determine the simultaneous and partial effect of fintech variables (risk and investment management and market provisioning) on Islamic financial inclusion (knowledge of Islamic finance, financial behavior, and financial attitudes).

Keywords: Fintech, Islamic Financial Inclusion, MSMEs

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1. INTRODUCTION

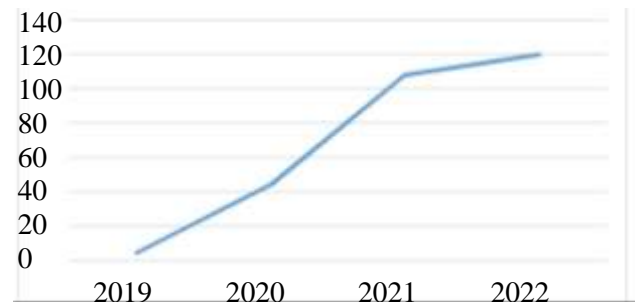
Financial inclusion after the economic crisis that occurred in 2008 had a negative impact on financial stability in Indonesia. However, there are industrial sectors that can still survive and have no impact, namely the Micro, Small and Medium Enterprises (MSMEs) industry which is one of the spearheads of the Indonesian economy apart from cooperatives (Wahdiniwaty et al., 2022). The most important role of MSMEs is that they can create new jobs and allow taxes to be collected as state revenue (Labbaika et al., 2022). The contribution of MSMEs to Indonesia's Gross Domestic Product (GDP) is quite large, reaching 61.41% and being able to absorb up to 96.71% of the workforce in 2020 (Cooperatives and SMEs, 2020). MSMEs are also able to absorb 97% of the workforce with the following details: 1) Large business employment of 3.3%; 2) Medium business labor absorption 4%; 3) Small business workforce absorption is 5.7 and 4) Micro business workforce absorption is 87% (Putra, 2018).

One of the provinces in Indonesia that has quite high MSME potential is the province of West Nusa Tenggara, namely the village of Tanak Awu. Although, the potential for MSMEs in Indonesia and West Nusa Tenggara, especially Tanak Awu Village, is quite large, which is a strategic location for the K.H Zainuddin Abdul Madjid International Airport and the Mandalika Street Circuit, there are still problems faced by MSMEs, namely capital problems. One of the causes of the difficulty for MSME actors to get access to capital from banking institutions is due to the limitations of MSME actors in providing quality financial reports (Egim et al., 2021). This limited capital is enough to make it difficult for MSME actors to enlarge and develop their business market share (Silalahi, 2020).

In recent years, technological developments have begun to develop into the digital realm. This development is aimed at making Indonesia the largest digital economy country by 2024. The government, which functions as the country's economic regulator, must also strive to empower the people of Indonesia. Rural communities living in remote areas are starting to feel the impact of future technological developments (Kurniawatik et al., 2021). One of the technological development innovations in business and the economy, especially in the banking world, is the emergence of financial technology (Fintech) which has a function to facilitate all types of

transactions which include buying and selling, investing or raising funds (Lee & Shin, 2018).

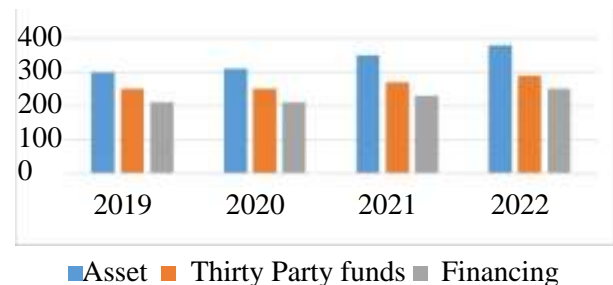
More and more fintech is emerging, making banks now change their business model to a form of fintech aimed at creating new markets and making it possible to create new technology-based services (Gomber et al., 2018). The fintech market in recent years can be said to have potential, due to the fact that 49 million MSMEs still do not have access from banking financial institutions (Subagiyo, 2021). From the explanation above, the researcher is interested in discussing the Effects of Fintech on the Development of Islamic Financial Inclusion in MSMEs in Tanak Awu Village who have not prepared and have financial reports and have not received access to capital from banking institutions or fintech-based financial services. The following is a diagram of Islamic and conventional financial inclusion. The Financial Services Authority (OJK) estimates that fintech will grow rapidly in Indonesia. A total of 44 digital financial application platforms operating in Indonesia are expected to increase in 2021, as presented in the following graph.



The source is processed by the author Graph 1.1.
Development of fintech banking

Meanwhile, in terms of assets, Islamic banking has also experienced an increase due to the large number of digital businesses, as shown in the following graph.

Development of sharia based banking fintech in Tanak Awu



The source is processed by the author Graph 1.2.
Development of fintech banking assets

From this graph, we can see the development of fintech according to sharia when viewed from banking assets. From there it can be seen that fintech syariah continues to develop from year to year. Nonetheless, sharia fintech has yet to show significant developments in the financial system in Indonesia especially tanak awu. This is because the number of sharia fintech is still not as much as conventional fintech. MSMEs as one of the units of community economic activity are quite important pillars of economic development in a country. MSMEs can create jobs and encourage economic growth. Thus, MSMEs are important economic cogs in maintaining the economic stability of a country. Every year, the development of MSMEs is experiencing rapid progress, thus opening up more and more jobs for an educated and trained workforce. The rapid development of MSMEs will certainly minimize unemployment, which is increasing every year. The empowerment of MSMEs certainly requires substantial capital from business people. This is where the role of sharia fintech is seen, namely providing loan funds to SME actors based on sharia law determined by religion. In this case, Islamic banks must be more innovative in determining the fintech that will be used in order to increase financial inclusion.

2. LITERATURE REVIEW

Several studies have been conducted by previous researchers. (Nikmatuzaroh, 2019) examines the development and impact of financial technology (fintech) on the Islamic finance industry in Central Java. The results of the study are that Islamic financial institutions require product innovation that leads to technological systems that keep up with the times in order to be able to compete with existing conventional fintech. (Rahamadani Irma Tripalupi, 2019) researched the management of electronic documents for financial technology (fintech)-based financial services. The results of his research are how to control electronic documents, namely by making hard copies and then storing them in a file folder manually, making soft copies that are easy and safe to access, or both ways can be done by considering their function, efficiency and effectiveness.

a. The definition of inclusive finance

The Global Financial Development Report (2014) defines financial inclusion as "The proportion of individuals and companies using

financial services has become quite an interesting topic among policy makers, researchers and other stakeholders." Financial Inclusion is the use of available financial services by an individual or groups by minimizing other groups or individuals accessing the financial system. Usually these other individuals make access because they are not aware or have bad intentions. According to the Financial Services Authority, inclusive finance is a process of eliminating obstacles or obstacles to a financial system that has been accessed by the business community, so that it is able to provide maximum benefits for the business community.

b. Definition of sharia fintech

Based on research from the NDRC (The National Digital Research Centre), financial technology refers to an innovation from a technology-based financial system. Fintech provides financial systems and products based on the latest developing technologies, so they can be accessed anywhere and anytime. Fintech is one of the innovations in the financial sector that leads to modern technology (Ika Swasti Putri, 2021). Innovation aims to introduce ease of access, convenience and economic costs (Dewanti et al., 2020).

3. RESEARCH METHODS

Research design

The design of this study refers to the explanation of the research methods used to find and examine the data obtained. In addition, the research design also includes various ways to obtain data with specific purposes and uses (Sugiyono, 2016). This study uses a qualitative research design that focuses on the quality of data presentation which is descriptive qualitative in nature.

The population used in this study are MSME actors in the village of Tanak Awu and sharia fintech. While the sample used was taken using purposive sampling which took the data needed for research

Data collection techniques in this study included primary data in this study obtained from interviews with sharia fintech actors and MSMEs in the village of Tanak Awu, while secondary data was data obtained or collected by researchers from various sources related to research such as journals, books and so on. The data analysis technique used in this study is an interactive model. (Huberman, 2014), argued that the analysis using interactive model analysis was carried

out through three procedures, namely data reduction, data presentation, and drawing conclusions.

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4. RESULTS AND DISCUSSION

In various aspects of life, fintech has a role that cannot be underestimated. In the economic field, one form of application of fintech that exists in life is the existence of Islamic banking that adheres to the Islamic financial system. As one of the fintech companies engaged in the economy, sharia banking must have a variety of things related to meeting the needs of economic and business actors. Fulfilling these needs does not only provide capital loans and money deposits, but also in the field of payment for a transaction of a good or service. In addition, in the digital era as it is now, the services of an Islamic Bank must undergo modernization. The services of an Islamic Bank must use a more modern financial system and be based on fintech principles. This is because fintech offers convenience in various financial transactions. Whether it's saving money, borrowing capital, or various transactions that involve using a bank as an intermediary. With the fintech system, economic actors can carry out various kinds of economic activities only through the gadgets they have. The development of fintech in Indonesia is currently experiencing rapid development. The Indonesian Financial Services Authority (OJK) predicts that financial technology (fintech) will grow rapidly in Indonesia. As many as 44 digital financial application platforms operating in Indonesia are predicted to increase by 100 percent in 2022. This number is expected to continue to increase in line with the increasing number of businesses based on modern finance. As for sharia fintech, based on the latest data from OJK or the Financial Services Authority (as of August 2021), out of a total of 127 newly registered fintech startups, only nine sharia fintechs are in it.

In each of its policies, Islamic banking is required to innovate in line with technological developments. Islamic banking must be able to keep up with the demands of the times which increasingly prioritize a more practical and modern fintech system, because it can be accessed anywhere and anytime. If the financial system in Islamic banking is able to use fintech in the

various economic activities it carries out, it is not impossible that the sharia-based financial system will be increasingly in demand because it is able to answer all the needs of society for a modern financial system and in accordance with religious sharia. The use of fintech in Islamic finance can be done by carrying out various fintech innovations in various financial transactions based on Islamic banks. The use of fintech certainly requires collaboration with various fintech-based companies that already exist in modern financial management.

The role of sharia fintech for MSMEs in Tanak Awu Village cannot be separated from various banks that already use the fintech system in their financial processes. Various fintech-based banks provide assistance in the form of capital loans and deposit funds to MSMEs with an easily accessible financial system. This is inseparable from the role of MSMEs which play a major role in advancing the country's economy, especially in Tanak Awu village, so that various banks are competing to build the village economy by helping MSME business actors, especially in Tanak Awu village with modern finance based. Meanwhile, the government is also not left behind to participate building MSMEs through BUMDES which was established by the government as a medium for MSME actors in the village of Tanak Awu looking for capital loans. Based on data from sources related to MSMEs, an increase in MSMEs is very important because an increase in MSMEs will be directly proportional to the welfare of the community.

One way to increase MSMEs in Tanak Awu village is to optimize sharia-based fintech. This optimization can be done through BUMDES which can provide the services needed by MSME actors in Tanak Awu village to develop their businesses. According to (Muzdalifa et al., 2018) there are several sharia fintech services intended for MSMEs that are implemented at BUMDES tanak awu, including the following.

a. Capital Loans

Bumdes collaborates with Islamic banking to carry out various innovations that facilitate the process of borrowing capital for MSME actors. MSME actors do not need to go through the guarantee delivery process, but only need to complete various requirements to make a capital loan. This service is online and the process is not complicated.

b. Digital payment services

Bumdes in collaboration with sharia banking implements sharia-based fintech as well as providing a more modern and secure digital-based payment system for MSME business people in Tanak Awu village. An easy, safe and sharia-compliant payment process will make customers more comfortable in making transactions. In addition, this will be able to attract more consumers so as to provide benefits for business people.

c. Financial regulatory services

Bumdes in collaboration with Islamic banking implements sharia-based fintech and also offers financial regulatory services. This service helps MSME actors in Tanak Awu village in managing finances when carrying out business economic activities. Services provided include recording expenses, monitoring investment performance, and financial consulting free of charge. This service helps economic actors in managing finances.

All of the fintech programs offered by BUMDES in collaboration with Islamic banking are designed to increase MSMEs in Tanak Awu village as well as capital for the community. If the program can be applied to Islamic banking, it will be easier for business people to develop a sharia capital system. Therefore, optimizing sharia-based fintech needs to be of particular concern to business people and the government, because sharia-based management can increase MSMEs in society in accordance with sharia and religious guidance. So that it can be said that the use of sharia fintech will have a good impact on MSME finance because modern money management will be accompanied by religious principles which are still upheld.

However, in its application there are several obstacles encountered related to the application of sharia fintech to MSMEs in the village of Tanak Awu. Based on the data collected by researchers, there are several factors that hinder the growth of fintech, including the following.

a. Infrastructure

The infrastructure related to fintech is currently only a few so that it is still not implementing fintech as a whole.

b. Human Resources (HR)

Currently competent human resources in terms of operating Islamic fintech are still quite limited. This is due to the uneven knowledge that people in remote areas have about fintech, so that the spread of fintech is hampered.

c. Legislation

Banking based on fintech in its implementation currently adheres to civil law. This is due to the absence of specific regulations for the application of financial technology which has an impact on the lack of guidelines in carrying out various activities. This is the government's responsibility in drafting a law that regulates the fintech system that can be used by every bank.

d. Lack of financial literacy

Related to the problem of lack of literacy, some people in remote areas are still not familiar with the term fintech as a whole, including its definition, how to use it, its benefits, advantages, and the goals that are obtained when carrying out a fintech-based financial transaction. In this case, the government and fintech actors play a role big in introducing as well as approaching the people in the area about fintech.

In addition to the factors above, financial technology does provide many conveniences for the community in conducting financial transactions. Especially if the fintech is accompanied by the implementation of the Islamic economic system. Of course this will have a good impact on empowering MSMEs as well as lifting the country's economy. However, this convenience contains various risks, one of which opens up opportunities for cybercrime. The highly sophisticated world of computing makes it easier for hackers to track financial transactions, while security in remote areas has not reached perfect security. Therefore, the role of various MSME players, fintech, and the government is needed to overcome this problem so that in the future obstacles like the one above don't happen again.

5. CONCLUSION

From this research, it can be seen that Islamic fintech has a significant impact on increasing inclusive finance from MSMEs in Tanak Awu Village. The various services offered by sharia fintech for increasing MSMEs in Tanak Awu village show that the modern financial system can have a good impact on empowering MSMEs in Tanak Awu village

especially with its strategic location close to tourist sites and the Mandalika circuit. Regardless of the various risks that will be experienced, Islamic fintech offers a financial system that is easy and modern and in accordance with religious guidelines. This risk is the responsibility of all fintech players, MSMEs, and the government.

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