THE EFFECT OF FINANCIAL TECHNOLOGY (FINTECH) ON INCLUSIVE FINANCIAL DEVELOPMENT ON MSMEs

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ABSTRACT

Micro, Small and Medium Enterprises (MSMEs) have considerable potential in the development of the Indonesian economy. However, there are still some problems faced by MSMEs, one of which is the problem of capital. With the presence of financial technology companies, it is expected to provide easy services for MSME actors in providing solutions to capital problems and financial transactions. One example of a program to expand access to finance in Indonesia that can provide solutions to various factors that cause low levels of financial literacy is Financial Inclusion. The purpose of this study was to determine the relationship between financial technology and the development of financial inclusion in Micro, Small and Medium Enterprises (MSMEs). The results of the study can be concluded that there is a relationship between financial technology and financial inclusion. This is evidenced from the results of the partial test which shows the contribution of the influence given is 43.9%, while the remaining 56.1% is influenced by other variables.

Keywords: Financial Technology, Financial Inclusion

1. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) have a major role in efforts to increase economic development in Indonesia, economic growth and create new job opportunities. Based on data from the Central Statistics Agency (BPS), MSMEs in Indonesia experience growth every year. In 2010, the number of MSMEs was around 52.8 million and in 2018 it increased to 64.2 million businesses. Currently, the number of MSMEs continues to increase and develop in various sectors. With the increase and development of MSMEs, it is hoped that they can increase Gross Domestic Product and absorb more new workers to reduce unemployment and poverty, as well as allow taxes to be collected as state revenue. Due to the large number of SMEs that continue to emerge, the competition is getting tougher.

In modern times like today, the development of science and technology in Indonesia is no longer something foreign to the people of Indonesia. With the use of technology, people are greatly helped to get a service. Similarly, in the financial sector, there have also been significant developments. Technology and finance have a relationship with each other.

The presence of Financial Technology companies in Indonesia is growing quite rapidly. The increasing number of Indonesian people using this service makes the technology loved by users so that the dominance of the use of fintech is getting higher. Financial technology or fintech is the result of a combination of financial services and technology that ultimately changes the business model from conventional to moderate, which initially pays face-to-face and carries a certain amount of cash, can now make long-distance transactions by making payments that can be made in seconds.

The emergence of fintech is expected to bring fresh air in providing solutions to capital problems and financial transactions that are often experienced by Micro, Small and Medium Enterprises (MSMEs).

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The development of Fintech with the various conveniences of services provided has succeeded in increasing public demand and interest, which of course becomes the potential for the community to carry out business activities. Fintech can provide capital loans more easily and practically. Business actors can use fintech for financing or capital. The role of fintech is not only limited to capital financing, but fintech also penetrates into various aspects such as digital payment services and also as a financial regulator. The presence of technology-based financial fintech services in Indonesia has become a necessity in line with the development of information and communication technology (Wibowo, 2016).

Financial inclusion is one example of a program to expand access to finance in Indonesia that can provide solutions to various factors that cause low levels of financial literacy. OJK (2017) shows that the level of financial knowledge of community groups in Indonesia is only approaching 29.66% while the level of usage or groups of people who have access to financial services and services is close to an index of 67.82%. With the government's target in the Financial Inclusive National Strategy (SNKI) which is expected for the 2019 period the Financial inclusion index to approach 75% is the urgency of this research.

The potential of MSMEs in Indonesia is quite large, but there are still problems faced by MSMEs, namely capital problems. One of the causes of the difficulty of MSME actors in getting access to capital from banking institutions is due to the limitations of MSME actors in providing quality financial reports (Hidayatulloh *et al*., 2019). This limited capital is enough to make it difficult for MSME actors to enlarge and develop their business market share (Saadiah, 2019).

With the development of information technology and supported by the fast internet, there are several financial services that make it easier for the public to access and gain knowledge about finance and financial services. With this, it is hoped that the public, consumers of financial products and services, not only know and understand financial service institutions, but are also expected to change people's behavior in financial management, especially MSME actors so that they can improve their welfare. So based on the explanation above, the authors are interested in conducting research with the title: EFFECT OF FINANCIAL TECHNOLOGY (FINTECH) ON INCLUSIVE FINANCIAL DEVELOPMENT IN MSMES IN TANJUNGPINANG CITY.

2.   LITERATURE REVIEW
Understanding Financial Inclusion

The Consultative Group to Assist the Poor (CGAP-GPFI) defines financial inclusion as a situation in which all working-age adults have effective access to credit, savings, payments and insurance from formal service providers. Effective access is defined as convenient and responsible service delivery, at an affordable cost to customers, with the result that financially unfit customers can use formal financial services instead of informal services alone.

In the Presidential Regulation of the Republic of Indonesia No. 82 of 2016, financial inclusion is defined as a condition when every member of the community has access to various quality formal financial services in a timely, smooth and safe manner at affordable costs according to their needs and abilities in order to improve the welfare of the community. Financial inclusion is an inclusive financing scheme, with the main objective of providing financial services to the poor and low-income people (Wahid, 2014).

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Financial Inclusive Benefits
Some of the benefits obtained from an inclusive financial service system are (Wahid, 2014):
1. Access, access to capital credit will automatically open up business opportunities and/or can be used to increase the amount of investment by small entrepreneurs.
2. The opening of networks into the formal financial sector allows the poor to access various types of business loans, take advantage of various insurance products with soft requirements.
3. In terms of costs, the ease of accessing business capital to the formal financial sector will reduce credit growth to the informal sector which is usually run by expensive lenders with unreasonable loan repayment terms.
4. Various accounts that have been integrated in formal financial institutions can in turn be used for various very important purposes.

Understanding Financial Technology (Fintech)
Financial Technology (Fintech) is a combination of technology and financial features or it can also be interpreted as innovation in the financial sector with a touch of modern technology (Pribandiono, 2016). Bank Indonesia defines Financial Technology (Fintech) as the result of a combination of financial services and technology that ultimately changes the business model from conventional to moderate, which initially pays face-to-face and brings cash, now can make transactions by making payments that can be made in just a matter of seconds.

The Role of Financial Technology
Financial technology with financial services such as crowdfunding, mobile payments, and money transfer services is causing a revolution in the startup business. With crowdfunding, you can get funds from all over the world easily, even from people you have never met, Fintech also allows money transfers globally or internationally (Fitriastuti *et al*., 2015). Payment services such as PayPal automatically change currency exchange rates, so that those in America can easily buy goods from Indonesia, Fintech also has an important role in changing consumer behavior and expectations including:
1. Can access data and information anytime and anywhere.
2. Generalizing large and small businesses so that they tend to have high expectations even for small businesses that are just being built.
   Globally, the financial technology industry continues to grow rapidly. It is evident from the emergence of startup companies in this field and the amount of global investment in it. Especially in Indonesia, this business is growing very rapidly to attract the attention of all business people in Indonesia (Muzdalifa *et al.*, 2018).

The Financial Benefits of Technology
According to the Financial Services Authority (2016), the benefits of fintech in Indonesia are:
1. Encouraging the unequal distribution of national financing.
2. Encouraging the export capability of SMEs, which is currently still low.
3. Increase national financial inclusion.
4. Encouraging an even distribution of the level of welfare of the population.
5. Helping to fulfill domestic financing needs which are still very large.

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Types of Financial Technology
In general, digital-based financial services that are currently developing in Indonesia can be divided into several groups, namely:
1. Payment, Settlement and Clearing
   This fintech is directly supervised by Bank Indonesia (BI) because this payment process also includes the circulation of money which will later be the responsibility of Bank Indonesia. Fintech that is incorporated in this type is payment or payments such as payment gateways and e-wallets. This type of fintech provides an online payment service system. This system is implemented by both banks and non-bank financial institutions. Examples of this type of fintech are Sakuku BCA, T-cash, Go-pay and Ovo.
2. Peer-to-Peer (P2P) Lending and Crowdfunding
   P2P Lending is a platform that brings together lenders and borrowers via the internet. P2P Lending provides a credit mechanism and risk management. This platform helps lenders and borrowers meet their respective needs and make efficient use of money. Crowdfunding is a type of financial technology that uses a concept or product such as designs, content, programs, and creative works that are published publicly and for people who are interested and want to support the product or concept can provide financial support. Crowdfunding can be used to reduce entrepreneurial financial needs and predict market demand. Examples of this fintech are Kredivo, Friends' Money, Business Friends, Kitabisa, etc.
3. Market Provisioning/Aggregator
   This fintech acts as a comparison for financial products. This fintech will collect and collect financial data for reference by users. Examples of this type of fintech are Cekaja, Cermati, Gogo Credit, and others.
4. Risk and Investment Management
   This fintech offers digital financial planning. This fintech user will be assisted to find the most suitable investment product according to the given preferences. In addition to risk management and investment, this type of fintech also has asset management where fintech will help make the operations of a business more practical. Some examples of this type of fintech are financialku.com, Bareksa, Cekpremi, and others.

3. DATA AND RESEARCH TECHNIQUES ANALISYS

TYPES OF RESEARCH
The type of research used in the preparation of this research is in the form of a quantitative approach, namely to develop and use mathematical models, theories and/or hypothetical data related to the phenomena investigated by the researchers.
The type of data used in this research is secondary data. According to (Misbahuddin & Hasan, 2014) secondary data is data obtained or collected by people conducting research from existing sources. The data used by the author to research the Effect of Financial Technology (Fintech) on the Development of Financial Inclusion in MSMEs in East Tanjungpinang District was obtained from distributing questionnaires to MSME business owners.

POPULATION AND SAMPLE
In this study, the population is the entire Small, Micro and Medium Enterprises (MSMEs) in Tanjungpinang Timur District which are recorded in the Department of Manpower, Cooperatives and Micro Enterprises in Tanjungpinang City in 2020. The

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Tanjungpinang area is divided into 4 (four) sub-districts, each sub-district consists of several villages. Of the 4 (four) sub-districts, it is the Tanjungpinang Timur sub-district which has the highest number of MSMEs from other sub-districts. The number of MSMEs in the Tanjungpinang Timur sub-district that is used as a population is 309 MSMEs recorded at the Tanjungpinang City Manpower, Cooperative and Micro Business Office in 2020.

Table 1. Data UMKM Kecamatan Tanjungpinang Timur

No.	Nama Kelurahan	Jumlah UMKM
1.	Kelurahan Kampung Bulang	35
2.	Melayu Kota Piring	81
3.	Kelurahan Air Raja	35
4.	Kelurahan Pinang Kencana	52
5.	Kelurahan Batu Sembilan	106
TOTAL		**309**

Source : Self Proceed

In this study, the sample used was purposive sampling technique. Purposive sampling technique is a sampling technique of data sources with certain considerations (Sugiyono, 2016). The sample used in this study must have the following requirements:

1. MSMEs in East Tanjungpinang District registered at the Tanjungpinang City Manpower, Cooperative and Micro Business Office in 2020.
2. SMEs engaged in the food sector.
3. MSMEs that present data on average monthly turnover of at least IDR 2,000,000.
   So based on the above conditions, a sample of 95 SMEs was obtained.

DATA ANALYSIS TECHNIQUE
Data Quality Test
Validity test

Validity measurement can be done by comparing the calculated r value with r table for degree of freedom (df) = n-2, in this case n is the number of samples. If r count > r table and the value is positive, then the item or question indicator is declared valid using the Pearson correlation coefficient provided that the coefficient value is above 0.5 (Wiratna & Endrayanto, 2012).

Reliability Test

Reliability test is a tool to measure a questionnaire which is an indicator of a variable. A questionnaire is said to be reliable or reliable if a person's answer to the statement is consistent or stable from time to time. A variable is said to be reliable if it gives a Cronbach Alpha value > 0.70 (Ghozali, 2016).

Classic assumption test
Normality test

According to (Ghozali, 2016) the normality test is carried out to test whether in the regression model the independent variable and the dependent variable or both have a normal distribution or not. In this study, the normality test used was by looking at the histogram graph and the P-Plot graph of regression residual.

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Heteroscedasticity Test

A good regression model from the heteroscedasticity test is the one with homoscedasticity or there is no heteroscedasticity because the cross section data has data representing various sizes (small, medium, and large). One way to see if there is a heteroscedasticity problem is to look at the plot graph by looking at the pattern of the dots.

Autocorrelation Test

The purpose of the autocorrelation test is to determine whether or not there is a correlation between the confounding error in period t and period t-1 in the linear regression equation. If there is a correlation, it indicates that there is an autocorrelation problem that may occur in the time series data, while in cross section data (crossing time), autocorrelation problems rarely occur. A good regression model is a regression model that is free of auto correlation. One measure to determine the presence or absence of autocorrelation problems is the Durbin Watson (DW) test. With the provisions of the test results if DW < -2 then there is a positive auto correlation, if DW is between -2 to +2 there is no auto correlation, while DW > +2 then there is a negative auto correlation.

Hypothesis testing
Partial Test (t-test)

The t-test is used to show how far the influence of one explanatory or independent variable individually in explaining the variation of the dependent variable (Ghozali, 2016). This test is performed by:
1. If t table > t count, then the independent variable has no effect on the dependent variable.
2. If t table < t count, then the independent variable has a significant effect on the dependent variable.

Simultaneous Test (F Test)

According to (Ghozali, 2016) the F test is used to determine the effect of all the independent variables intended in the simultaneous regression on the dependent variable being tested. This test uses the F test, namely by comparing the calculated F with the F table. This test is done by:
1. If F count < F table, then the independent variables simultaneously have no effect on the dependent variable.
2. If F count > F table, then the independent variables simultaneously affect the dependent variable.

Coefficient of Determination Test (R Square)

R square (R2) which shows the coefficient of determination. This figure will be converted to a percent form, which means the percentage contribution of the influence of the independent variable to the dependent variable. The value of the coefficient of determination is between 0 and 1. The closer to 1, the better the regression model. In this study, because the author uses simple linear regression with Financial Technology variables, therefore the results of the coefficient of determination test will be seen from the value of R square.

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4.   RESULTS AND DISCUSSION

DATA QUALITY TEST
Validity Test
In this study, the results of distributing questionnaires to 95 respondents to all MSME business actors in East Tanjungpinang District are valid by proving the value of r arithmetic > r table. Where the value of r table is 0.12017 and the value of r counts each variable above the value of r table.

Reliability Test
In distributing questionnaires related to research on the influence of financial technology on the development of financial inclusion, 95 respondents to all MSME business actors in East Tanjungpinang District were Reliable. This is evidenced by the Cronbach Alpha value > table (0.782 > 0.7).

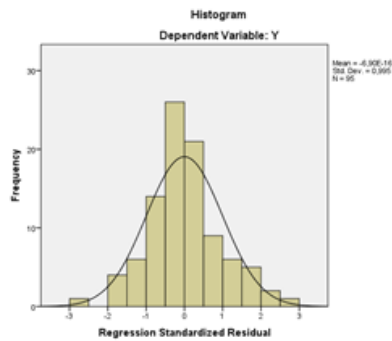### CLASSIC ASSUMPTION TEST
Normality Test Results

Figure 1: Normality Test with Histogram
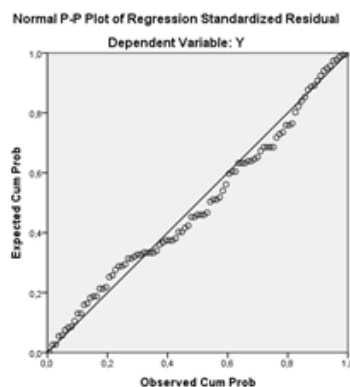
Source : Self Proceed

Figure 2: Normality Test with P-Plot of regression residual
Source : Self Proceed

Based on the picture above, normality test using a histogram graph, it can be seen that the data formed is a bell up and does not deviate to the left and right, so it can be concluded that the data is normally distributed. And the results of the P-Plot of regression

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residual graph produce points that spread close to the center line so that it can be concluded that the data is normally distributed.
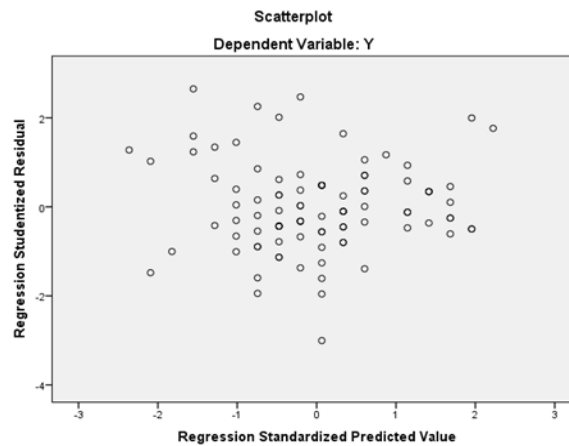
Heteroscedasticity Test Results

Figure 3: Heteroscedasticity Test Results

Source : Self Proceed

Based on the results of the heteroscedasticity test in the plot diagram above, it can be seen that the points spread randomly, both above and below the number 0 from the Y axis, so from the results of this heteroscedasticity test it can be concluded that there is no heteroscedasticity in the regression model. this.

Autocorrelation Test Results
Table 2 : Autocorrelation Test Results

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,663[a]	,439	,433	2,88015	2,088
a. Predictors: (Constant), X					
b. Dependent Variable: Y					

Source : Self Proceed

Based on the results of the table above, it can be concluded that the Durbin-Watson (DW) result is 2.088 and it can be seen that between $-2 > 2.088 < +2$, it can be concluded that the above test results do not occur auto correlation.

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HYPOTHESIS TESTING
Partial Significance Test (T Test)

Table 3 : Significant Test Results t

Coefficientsᵃ								
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	13,195	1,927		6,848	,000		
	X	,684	,080	,663	8,533	,000	1,000	1,000
a. Dependent Variable: Y								

Self Proceed

Based on the table above, to determine the significance of the hypothesis test by using the t test to test the financial technology variable on financial inclusion. It is known that the sig value for the Financial Technology (X) variable on Financial Inclusion (Y) is 0.000 <0.05 and the t-count value is 8.533 > t table 1.98525, then Ho is rejected and Ha is accepted, which means the regression coefficient is significant, so it can be concluded that the hypothesis is accepted which means that there is an influence of Financial Technology (X) on Financial Inclusion (Y).

Simultaneous Significance Test (F Test)

Table l 4 : Simultaneous Significant Test Results F

ANOVAᵃ						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	603,970	1	603,970	72,809	,000ᵇ
	Residual	771,461	93	8,295		
	Total	1375,432	94			
a. Dependent Variable: Y						
b. Predictors: (Constant), X						

Self Proceed

From the table above, it can be seen that the Fcount value is 72.809, thus Fcount > Ftable (72.809 > 3.09) with a significant value of 0.000 where the significant value is 0.000 <0.05, which means that all of the independent variables, namely Financial Technology simultaneously or together. -the same effect on the dependent variable, namely Financial Inclusion.

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Coefficient of Determination Test (R2)

Table 5 : Coefficient of Determination Test Results (R^2)

Model Summaryᵇ					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,663ᵃ	,439	,433	2,88015	2,088
a. Predictors: (Constant), X					
b. Dependent Variable: Y					

Self Proceed

Based on the table above, the determination value of R square is 0.439 or 43.9%, this proves that the percentage of the influence of financial technology on MSMEs in Tanjungpinang Timur District is 43.9% while the remaining 56.1% is influenced by other variables.

5. CONCLUSION

Based on the results of research on the influence of financial technology on the development of financial inclusion in MSMEs in East Tanjungpinang District, it can be concluded as follows:

1. The partial test results show that the financial technology variable has a significant effect on the financial inclusion variable with the results of the tcount test being 8,533, thus tcount > ttable (8.533 > 1.98525) and has a sig t value of 0.000 thus (0.000 < 0, 05).

2. Simultaneous test results show that the results of the financial technology variable have a significant effect on financial inclusion with the test results of the Fcount value of 72.809, thus Fcount > Ftable (72.809 > 3.09) with a significant value of 0.000 where the significant value (0.000 > 0) ,05).

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