

## Fintech: Its Effect on Business Sustainability

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### Abstrak

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Istilah "financial technology" (Fintech) digunakan untuk menggambarkan penerapan TIK inovatif ke sektor keuangan, yaitu pemrosesan transaksi keuangan dan promosi barang dan jasa keuangan baru. Pemrosesan pembayaran hanyalah salah satu dari banyak layanan keuangan yang dapat difasilitasi oleh fintech. Contoh lain termasuk perdagangan saham, regulasi keuangan, pendanaan dan peramalan, dan manajemen kekayaan. Dalam penelitian ini, kami fokus pada aplikasi fintech sebagai alat pembayaran. Kemampuan pelaku usaha mikro, kecil, dan menengah (UMKM) untuk memodifikasi kegiatannya, terutama dalam sistem pembayaran nontunai, akan menjadi sangat penting dalam menghadapi kemajuan teknologi saat ini. Sebab, keberhasilan jangka panjang sektor UMKM bisa terancam jika pelaku industri tidak melakukan reformasi yang diperlukan. Akibatnya, pelaku UMKM hampir pasti kalah bersaing dengan pelaku usaha yang lebih maju dalam hal transaksi penjualan.

**Kata Kunci:** Fintech; Bisnis Keberlanjutan; UMKM

### Abstract

The term "financial technology" (Fintech) is used to describe the application of innovative ICTs to the financial sector, namely to the processing of financial transactions and the promotion of new financial goods and services. Payment processing is just one of the many financial services that can be facilitated by fintech. Other examples include stock trading, financial regulation, funding and forecasting, and wealth management. In this study, we focus on fintech's application as a means of payment. The ability of micro, small, and medium-sized enterprises (MSMEs) actors to modify their activities, especially in the non-cash payment system, will be essential in the face of current technological improvements. Because the long-term success of the MSME sector could be jeopardized if industry actors do not execute the necessary reforms. As a corollary, MSME players will almost certainly be unable to compete with more developed enterprises in terms of sales transactions.

**Keywords:** Fintech; Business Sustainability; MSME

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## INTRODUCTIONS

In 2014, Bank Indonesia launched GNNT (National Non-Cash Movement). This activity serves to raise public awareness and increase the use of non-cash transactions for economic activities. Financial technology (Fintech) refers to the use of cutting-edge information and communication technologies to facilitate monetary transactions and the presentation of novel monetary products and services (Mawarni, 2017). Financial technology, often known as Fintech, has quickly become an integral part of the modern financial services industry. Simply said, fintech is the utilization of technology in conjunction with financial services (Cania, 2018).

The widespread adoption and use of electronic payment systems like e-money and e-wallets is largely attributable to advancements in financial technology. True, both can be used as alternatives to cash, but there are important distinctions between them that many consumers are currently missing. E-money, or electronic currency, is a form of electronic payment that stores monetary value in a digital form. E-wallet is a digital money transfer service that allows users to send and receive money online. Fintech is growing rapidly, as seen by its expansion into new areas such as start-up funding, lending, personal finance planning, retail investment, crowdfunding, money transfers, financial analysis, and more. Fintech is an approach to financial services that integrates new technologies with the traditional banking sector to create what is hoped to be a more efficient and sophisticated system for handling financial transactions. Fintech is projected to improve operational efficiency and the quality of banking services for customers since it responds to growing demand for virtual financial transactions and the proliferation of digital information sources (Ardiansyah, 2019).

When properly implemented, fintech has the potential to keep MSMEs afloat and perhaps advance their status in the Indonesian economy. Once, we assumed that getting a loan for a business meant going through a long and tedious process at a bank, but now we know better thanks

to financial technology. Fintech has made it easier for micro, small, and medium-sized enterprises to access services. MSME owners can get loans entirely online; all they need to do is fill out the required paperwork digitally (Ade Putri, 2020).

In the previous 3 (three) years, the growth of Micro, Small, and Medium-Sized Businesses (MSMEs) in Buleleng Regency has slowed because to the COVID-19 pandemic. There are 1,305 micro, small, and medium-sized enterprises (MSMEs) in Buleleng Regency that have been recognized by the Department of Trade, Industry, and Small and Medium Enterprise Cooperatives. Companies' lack of competitiveness is to blame for this downturn. Financial technology (fintech) is essential for micro, small, and medium-sized enterprises (MSMEs) to develop in order to survive in today's technologically-driven marketplace. For the simple reason that in this epidemic era, business actors will be more efficient and effective if they are able to employ existing technology to the right trading of their goods or services. The purpose of this research was to ascertain how fintech affects the long-term viability of SMEs and MSMEs.

## LITERATURE REVIEW

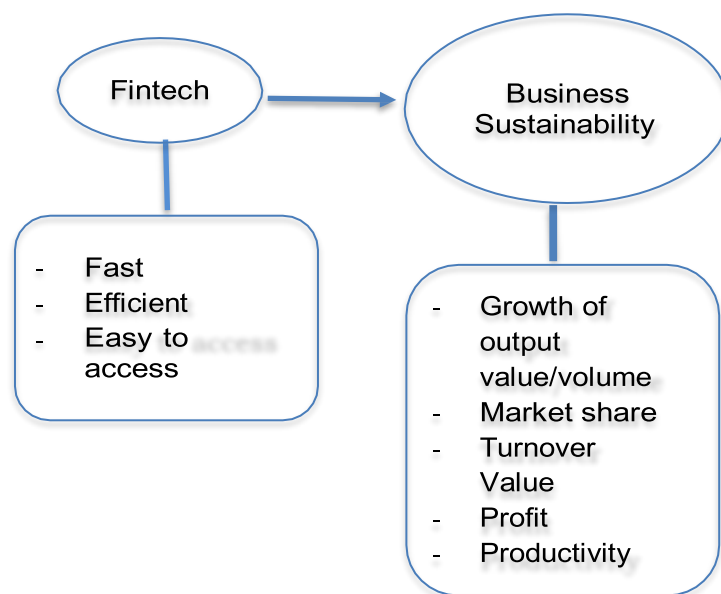
Financial technology (Fintech) is a financial services innovation. According to Muzdalifa (2018), fintech is a phrase used to describe an innovation in the financial services industry, where the name begins with the words "financial" and "technology," and leads to financial rejuvenation through the use of contemporary technology. Fintech also plays a role in rapidly expanding the reach of financial services, which is similar to the role of the Islamic finance industry, but the difference is that fintech prioritizes the use of technology in every transaction, making financial transaction activities more modern, safe, and practical (Mawarni, 2017:2).

In its application, financial technology (fintech) serves as a). A payment system that includes payment authorization, clearing, final settlement, and execution. Examples of the use of blockchain technology or distributed ledger for the implementation of fund transfers, electronic

money, and mobile payments; b) Market support, a financial technology that uses information technology and/or electronic technology to facilitate the provision of faster or cheaper information to the public about financial products or services; c). Investment management and risk management, which include online investment products and online insurance; d). The categories of lending, financing (financing or funding), and capital raising include information technology-based lending and borrowing services (peer-to-peer lending) and information technology-based financing or fundraising (crowdfunding); and e). Other financial services include market support, investment management, and risk management, in addition to loans, financing, and capital provision (Rahma, 2018). Micro, small, and medium-sized enterprises (MSMEs) are a broad word in economic treasures that refers to a productive firm controlled by individuals or corporate entities that meet the criteria for micro enterprises as defined by Act No. 20 of 2008. Rahmana (2008) categorizes MSMEs using the following criteria: 1) Subsistence Activities, 2) Micro Enterprise, 3) Small Dynamic Enterprise, and 4) Fast Moving Enterprise MSME actors undoubtedly desire a thriving and sustainable business in which to operate. The existence of a business will be




advantageous if the business environment accepts its existence. Sustainability implies that the business will continue to operate or develop in the long run. Some businesses can be found that have been in operation for generations. The leadership passed down from the initial owner to his heirs ensures the business's continuity. This long-term value can be regularly and steadily increased in corporate performance by implementing economic, social, and environmental values (Trimagnes, 2019).

Business sustainability, according to Widayanti et al. (2017), is a stable of business situations, where sustainability is a business continuity system that comprises addition, continuation, and approaches to safeguard business continuity and business expansion. According to Narayanad (2018), business sustainability is an effort to prevent harmful environmental and social repercussions so that future generations would have enough resources to meet their demands. Success in a high- quality global market will make Business Sustainability safe for the environment. Based on the foregoing, it is possible to conclude that business sustainability is a business that continues from time to time in the long term with the same leadership in order to retain the outcomes of the products produced.



Picture 1. The conceptual framework used in this study is as follows.

**Notes:**

-  : Variable
-  : Affect
-  : Indicator

Based on the conceptual framework, the formulation of the hypothesis in this study is as follows.

- H1: There is no influence of Fintech on the sustainability of MSMEs in Singaraja City.
- H2: There is an influence of Fintech on the sustainability of MSMEs in Singaraja City.

**METHOD**

This is a causal study that use a quantitative research approach. Sugiyono (2016: 37) defines causal research as an approach to causality. This study included 183 Formal MSMEs as participants. Purposive sampling was employed to determine this sample.

This information was gathered through a questionnaire and an interview. According to Sugiyono (2017: 199), a questionnaire is a method of collecting data that includes stages such as providing various statements and/or questions in writing to MSMEs that are samples to be responded. According to Prabowo (1996), interviews are a method of gathering data that includes stages such as asking or answering questions orally to MSME actors. The fundamental assumption test, hypothesis testing, and coefficient of determination are the data analysis techniques used in this study.

**RESULT AND DISCUSSION**

Based on data analysis using the SPSS (Statistical Product and Service Solution) analysis tool for Windows version 24.0, the analysis yielded the following results, which are displayed in the table below.

Table 1. The Effect of Fintech on Business Sustainability Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	14.509	1.350	10.748	.000
	Fintech	.203	.074	2.744	.007

Dependent Variable: Business Sustainability Source Output SPSS version 24.0 for Windows

According to table 1, the t test value in the coefficient table is 2,744, with a significance level of 0.007 less than 0.050. This suggests that fintech has an impact on

the sustainability of MSMEs in Singaraja City. As a result, we can conclude that H0 is rejected while Ha is accepted.

Table 2. Results of the Coefficient of Determination (R<sup>2</sup>) Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.200 <sup>a</sup>	.040	.035	6.188

a. Predictors: (Constant), Fintech

b. Dependent Variable: Business Sustainability

Source Output SPSS version 24.0 for Windows

The coefficient of determination or R Square is 0.040, according to table 2 of the SPSS output (Model Summary) above. This R Square number is calculated by

adding the correlation coefficient value or "R," which is 0.200 x 0.200 = 0.040. The coefficient of determination (R Square) is 0.040, which is equal to 4%. This value

indicates that the fintech variable (X) has a 4% impact on the business sustainability variable (Y). The remainder (100% - 4% = 96%) is influenced by variables outside of this regression equation or variables not investigated.

The findings of a simple linear regression analysis performed with the SPSS application reveal that the independent variable fintech has an impact on the sustainability of MSMEs in Singaraja. The majority of respondents felt that the usage of fintech may make transactions faster and more realistic, boost productivity, effectiveness, and efficiency in non-cash transactions, and provide more convenience while dealing. In line with this, the majority of respondents said they would utilize fintech to conduct transactions and would encourage others to do the same. Aside from that, respondents believe that the usage of fintech in payments is simple to grasp, simple to implement, and extremely adaptable.

Fintech is described as technological innovation that provides financial services. The innovation in question is the development of technology-enabled applications, products, or business models in the financial services industry. MSMEs who utilize fintech extensively will have more opportunity to expand their operations than MSMEs that use it infrequently.

## CONCLUSIONS AND SUGGESTION

### Conclusion

The following are the study's conclusions based on the findings of research analysis and debate.

1. Financial Technology (Fintech) variables influence MSMEs' sustainability in Singaraja City. This means that the hypothesis has been accepted. Because the fintech variable (X) has an effect on business sustainability,  $H_0$  is accepted. The analytical results show that the independent variable has an effect on the dependent variable based on the t-test.
2. The coefficient of determination (R Square) is 0.040, which is equal to 4%. This value indicates that the fintech variable (X) has a 4% impact on the

business sustainability variable (Y). While the remainder is influenced by variables outside of this regression equation or variables that are not investigated.

### Suggestions

Having written this study, the author is aware of its limitations and acknowledges that much work remains to be done; among these are the identification of additional factors that have a significant impact on business sustainability and the improvement of actors' use of financial technology. Nevertheless, the authors recommend that MSMEs in Singaraja City improve their use of fintech in business management.

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