

The Influence Of Financial Technology Innovation On Micro Small Medium Msmes In Labuhan Batu

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Abstrak

The purpose of this study was to find out how much knowledge about the influence of financial technology innovation on the development of small and medium enterprises in port of Batu. This study explains that the people in Batu Labuhan must be able to take advantage of financial technology (fintech), especially for MSMEs in Batu Labuhan because of financial technology (fintech), it is hoped that all regions, especially disadvantaged areas, will be able to advance and utilize their regional potential. Explanation of Sugiyono the Likert scale is used to measure the income and perceptions of a person or group of people about social events or phenomena. It can be concluded that the Likert scale is an alternative measurement that can be used to measure an event or social phenomenon which is then converted into numbers so that it is easy for researchers to conclude alternatives. The measurement model in this study consists of a reflective measurement model in which the financial technology variables, the development of small and medium enterprises and SMEs in Batu Labuhan are reflected. In Hair et al (2021) the reflective measurement model consists of loading > 0.70, composite reliability > 0.70 cronbach's alpha and average variance extracted and (AVE > 0.05) and evaluation of discriminant validity, namely Fornell and Lacker criteria and HTMT (heterotrait ratio) below 0.90 cross loading

Keywords:

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1. Introduction

This research was conducted to find out how much it is influenced by financial technology innovation through the EDC non-cash payment system on the progress of MSMEs businesses located in Rantau Prapat and to describe how influential the level of insight is on the development of MSMEs businesses located in cities in Rantau Prapat to estimate how much influence this has. EDC financial technology and the income stage after receiving financing from the bank on business development in the city of Ranta Prapat. Non-cash payments (pnt) have a positive effect on the development of MSMEs (pbumkm), which means that if the number of non-cash payments increases, it will increase the development of MSMEs.

In today's digital era, everyone must use technology, such as cellphones, which cannot be separated from the grip of almost all people using technology to innovate, and SMEs are no exception. Innovations that are present at SMEs such as ready-to-deliver shopping such as online shopping, namely financial technology (Alza & Rikumahu, 2019).

According to the national digital research centre (NDERC). Fintech is an innovation in the financial sector by making it easier for users to carry out financial transactions. Meanwhile, according to Bank Indonesia in 2017, fintech is a phenomenon of a combination of technology

and financial features in producing products and services in the financial system and having an impact on cashier stability and financial stability (RBI Report, 2017).

The use of capital resources is the application of MSMEs in almost all regions. The use of financial technology (fintech) certainly has many benefits to be carried out. supported by optimizing local resources by the existence of fintech, it is hoped that all regions, especially disadvantaged regions, will be able to advance and take advantage of their regional potential to expand and take advantage of their regional potential to improve their regional economic welfare. Indonesia is a vast territory with various conditions of superior potential (Leong et al., 2017).

Micro, small and medium enterprises (MSMEs) have an important role in efforts to increase Indonesia's economic development, economic growth and create new jobs. At present the number of MSMEs in Indonesia continues to increase and develop various sectors. With the improvement and development of MSMEs, it is hoped that there will be a lot of new workers to reduce poverty. Because the number of MSMEs that have appeared makes competition more stringent (Suyanto & Kurniawan, 2019).

In research conducted by (He et al., n.d.) explains the purpose of applying financial technology to the public, namely to increase efficiency in user services. This is a new obstacle for MSMEs. Initially, MSMEs did not have a bigger connection than banks, making MSMEs less attractive. Obstacles to implementing financial technology to develop financial inclusion in MSMEs in Indonesia 1) lack of financial literacy for MSMEs 2) infrastructure; 3) laws and regulations; 4) compared to the reverse, research conducted by Alimudin et al., (2019) showed that the results of observational research using the t test and the coefficient of determination show that the payment gateway factor has a significant effect on the financial performance of MSMEs as measured by sales revenue).

From the background and GAP that have been stated above, the researcher is motivated to do this research in order to prove it from a user study. Financial technology provides a kind of financial business service, you don't have to have an account like a normal bank. Technology is consistently regulated by Bank Indonesia, even though it is not a banking financial institution, this is useful so that users get protection. Bank Indonesia has limited the fintech implementing industry to include the industry, Bank Indonesia and financial services authorities. Meanwhile, according to Fadhilah et al., (2021) financial technology (fintech) is a new innovation in financial services that adapts technological developments to facilitate financial services and the financial system to be efficient and effective

2. Literature Review

2.1. *Micro Small Medium Enterprises*

Micro, Small, and Medium-sized Enterprises (MSMEs) are businesses that are classified based on their size and scale of operations. Leong et al., (2017) The specific definitions of MSMEs vary by country and organization, but generally, they are classified as follows: Micro Enterprises: Micro-enterprises are the smallest-sized businesses and typically have fewer than 10 employees. They are often self-owned businesses, run by individuals or families, and have low capital requirements. Small Enterprises: Small enterprises have more employees than micro-enterprises but typically fewer than 50 employees. They require more capital than micro-enterprises and often have a more structured organizational setup. Medium Enterprises: Medium enterprises have more employees and require more capital investment than small enterprises. Typically, they have between 50 and 250 employees, and they have more formal organizational structures and systems.

The classification of MSMEs is often based on the number of employees, annual sales or revenue, investment in plant and machinery, and sector of operation. These businesses are often seen as critical drivers of economic growth and development in many countries, as they provide employment opportunities, contribute to local communities, and support innovation and entrepreneurship (Daragmeh et al., 2021).

2.2. Financial Technology

Financial Technology (Fintech) refers to the use of technology to provide financial services and products. Fintech has emerged as a disruptive force in the financial services industry, leveraging technology to offer innovative solutions to traditional financial services (Au & Kauffman, 2008). Fintech covers a wide range of products and services such as mobile banking, digital payment systems, online lending platforms, peer-to-peer lending, crowdfunding, robo-advisors and blockchain-based solutions.

Fintech has made financial services more accessible, convenient and cost-effective for both consumers and businesses. This has changed the way financial services are delivered, making them more customer-centric, user-friendly and tailored to individual needs. Fintech has also facilitated financial inclusion, bringing financial services to underserved and unbanked populations, particularly in developing countries (Hussain et al., 2018).

Fintech companies often leverage cutting-edge technologies such as artificial intelligence, machine learning, big data analytics and blockchain to provide financial services. They are often more agile and flexible than traditional financial institutions, able to respond quickly to changing market conditions and customer needs.

In short, Fintech refers to the use of technology to deliver financial services and products, and has disrupted traditional financial services by offering innovative, customer-centric solutions that are often more accessible, convenient, and cost-effective than traditional financial services (Wijetunge & Pushpakumari, 2014).

2.3. The Role of Fintech to Development of MSMEs

Fintech (financial technology) has emerged as a significant force in driving the development and growth of Micro, Small and Medium Enterprises (MSMEs) in recent years (Öztamur & Karakadılar, 2014). Here are some of the roles of fintech in the development of MSMEs:

Access to Finance: Fintech platforms leverage technology to make it easy and affordable for MSMEs to access finance. They offer a variety of financial services, including crowdfunding, peer-to-peer lending, invoice financing, and digital payment solutions, which can help MSMEs raise capital, manage cash flow and improve their financial health.

Financial Inclusion: Fintech platforms help promote financial inclusion by giving MSMEs access to financial services that were not previously available to them. They leverage technology to reach underserved market segments, such as rural areas and low-income groups, and provide them with financial services that can help them grow their businesses.

Efficiency and Cost Savings: Fintech platforms leverage technology to increase the efficiency of financial services and reduce costs. They use digital platforms to streamline processes, reduce paperwork, and automate workflows, which can help MSMEs save time and money.

Market Access: Fintech platforms help MSMEs to access new markets and customers by providing digital marketing and e-commerce platforms. They leverage technology to help MSMEs sell their products and services online, reach new customers, and expand their market reach.

In short, fintech plays an important role in driving the development and growth of MSMEs by providing them with access to finance, encouraging financial inclusion, increasing efficiency and cost savings, managing financial risks, and providing access to new markets and customers. Thus, fintech is increasingly becoming an important part of the ecosystem that supports the growth and development of MSMEs.

3. Method, Data, and Analysis

questionnaires or questionnaires using data collection techniques which are carried out by means of a set of questions or statements online to respondents to answer. It is hoped that by distributing a list of questions to each respondent, research will easily collect relevant data and research objectives and have a high level of reliability and validity (sugiyono, 2017). documentation is a source for obtaining data and information in the form of books, archives,

documents, written numbers and pictures in the form of reports and information that can support research

The data measurement scale is an agreement between those used as a reference to determine the short length of the intervals in the measuring tool so that the measuring tool is used in measuring, will, produce, quantitative data (sugiyono, 2017). Data measurement techniques in this study namely using a Likert scale. The data analysis technique used in this study is descriptive analysis, and SEM-PLS which consists of an outer model (construct validity and reliability test) an inner model (R-square test statistical test using the smartPLS 4.0 program). Descriptive statistics are statistics that are used to analyze data by describing or describing data by describing or describing data that has been collected as it is without intending to make general conclusions or generalizations (sugiyono, 2017).

4. Result and Discussion

The research of this respondent was by taking a sample of small and medium enterprises in Labuhan Batu. This sample selection was carried out by verifying the consumer sample. In the following, an overview of the characteristics of the respondents is given which is stated in the form of a tabulation of the identity of the respondents as many as 104 sample respondents.

Evaluation of the structural model relates to testing the influence hypothesis between research variables. Examination of the evaluation of the structural model is carried out in three stages checking for the absence of multicollinearity between variables with a measure of inner VIF (Variance inflaten factor). Inner VIF value below 5 indicates no multicollinearity between variables, Hair et al., (2010) The statistical method used to test the hypothesis in this study is Partial Least Square (PLS). PLS is an alternative method of analysis with Structural Equation Modeling (SEM) based on variance. The advantage of this method is that it does not require assumptions and can be estimated with a relatively small number of samples. In Structural Equation Modeling, there are two types of models that are formed, namely the measurement model (outer model) and the structural model (inner model). The measurement model explains the proportion of variance for each manifest variable (indicator) that can be explained in the latent variable. Through the measurement model, it will be known which indicators are dominant in the formation of latent variables. After the measurement model for each latent variable is described, then the structural model is described which will examine the effect of each exogenous latent variable on the endogenous latent variable. In this study, there were 42 manifest variables and 4 latent variables namely financial technology (X1) which was measured by 16 manifest variables, business development (X2) which was measured by 6 manifest variables, umkm in Lavuhan Batu (Y) which was measured by 4 manifest variables. Through the measurement model, it will be known which indicators are dominant in the formation of latent variables. After the measurement model for each latent variable is described, then the structural model is described which will examine the effect of each exogenous latent variable on the endogenous latent variable. In this study, there were 42 manifest variables and 4 latent variables namely financial technology (X1) which was measured by 16 manifest variables, business development (X2) which was measured by 6 manifest variables, umkm in Labuhan Batu (Y) which was measured by 4 manifest variables. Through the measurement model, it will be known which indicators are dominant in the formation of latent variables. After the measurement model for each latent variable is described, then the structural model is described which will examine the effect of each exogenous latent variable on the endogenous latent variable. In this study, there were 42 manifest variables and 4 latent variables namely financial technology (X1) which was measured by 16 manifest variables, business development (X2) which was measured by 6 manifest variables, umkm in Lavuhan Batu (Y) which was measured by 4 manifest variables. Next, a structural model will be described that will examine the effect of each exogenous latent variable on the endogenous latent variable. In this study, there were 42 manifest variables and 4 latent variables namely financial technology (X1) which was measured by 16 manifest

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4.1. Research Model

The tool used is the Smart PLS Version 4 program which is specifically designed to estimate structural equations on a variance basis. The structural model in this study is shown in the following figure:

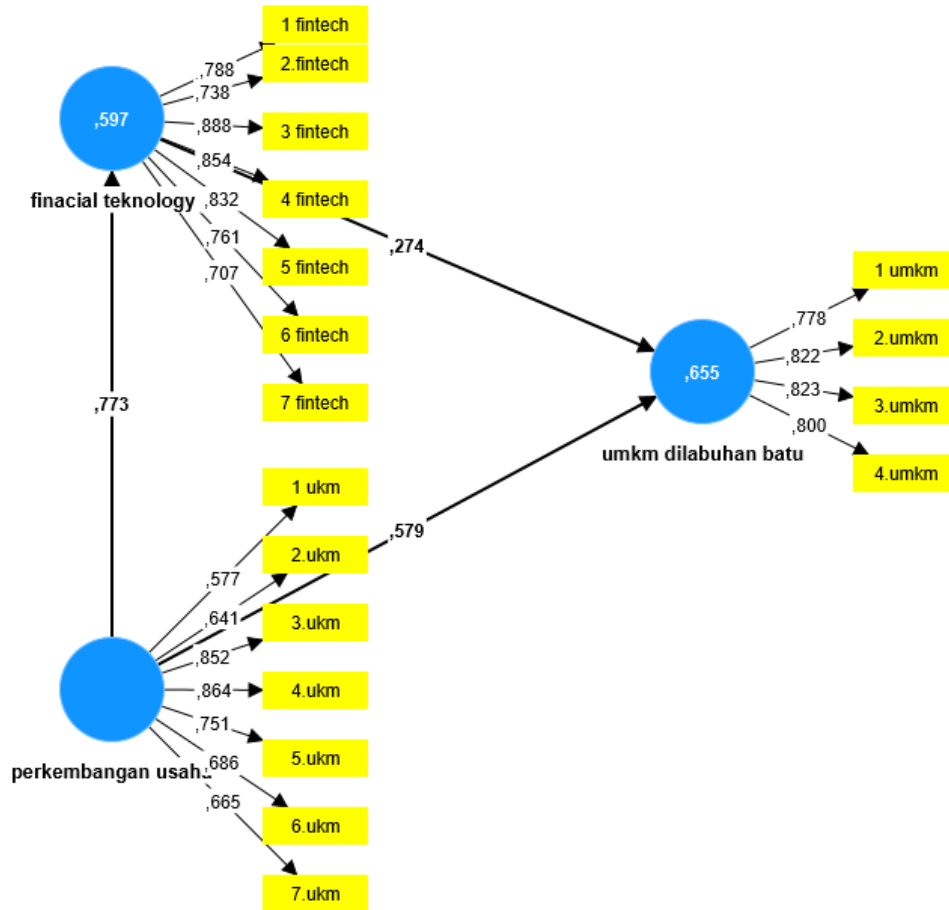


Figure 1. Structural Model

Specification of the relationship between latent variables and their manifest variables, this test includes convergent validity, discriminant validity and reliability.

variablel	Average Variance Extracted (AVE)	Composite Reliability	Cronbach's Alpha
financial technology	0.636	0.907	0.903
business development	0.755	0.888	0.838
UMKM Labuhanbatu	0.650	0.821	0.20

Source: Data processed

Based on the table above, the Average Variance Extracted (AVE) for each variable, namely financial technology and business development as well as umkm in Harbor Batu, has a construct > 0.50, meaning the construct is reliable, with it being stated that each variable has met high discriminant validity.

And in table 3.5 above the composite reliability values of all variable values indicate a construct value >.0.60 with this that each variable has fulfilled composite reliability so it can be concluded that all variables have a high level of reliability And next, there is table 3.5 above Cronbach's Alpha, it is stated that all variables show a construct value > 0.70. This shows that each study fulfills the requirements of the Cronbach's Alpha value, which is high. With this author conclude that the indicators used in this study have met high discriminant validity in compiling their respective variables.

4.2. Hypothesis Testing

After seeing the inner model, there is the following evaluation of the relationship between latent constructs as hypothesized in this study in testing the hypothesis between variables by assessing the t statistic or p-values. If the calculated t statistic is greater than 1.96 (t table) or p-value the test result is smaller than 0.05, so there is a significant influence between the following variables, namely the results of path coefficients (direct effect)

direct effect (Direct Effect)	coefficient parameter	Q Statistics	P Values	Results
financial technology(X2) -> umkm in Labuhanbatu(y)	0.323	2,944	0.004	Accepted
business development (X2) -> financial technology (X1)	0.762	18,009	0.000	Accepted
business development (X2) -> umkm in Labuhanbatu (y)	0.524	4,532	0.000	Accepted
financial technology (X1) -> umkm in stone harbor(y)	0.323	2,944	0.004	Accepted

Source: Data processed

Based on the picture above, the mediation test can be carried out as follows:

- a. Direct connection X1 → Y is significantly positive, while the relationship is indirect (X2 → Y) is positive not significant. This relationship shows that there is no mediating effect but is included in the Direct-Only Non-Mediation category.
- b. X2 direct connection □ □ Y is negative and not significant, while the relationship is indirect (X2 → X1 → Y) is positive but not significant. Therefore, this relationship indicates that there is no mediation in the Direct-Only Non-Mediation category.
- c. X1 direct connection Y is positive and significant, while the relationship is indirect (X2 → Y) is positive but not significant. This relationship shows that there is no mediation effect but is included in the Direct-Only Non Mediation category

5. Conclusion

Fintech or what can be called financial technology in the sense of an innovation in the sense of modern technology, which can be carried out in today's businesses and can make it easier to carry out any financial transaction with technology, and especially with technology that is already sophisticated, nowadays small businesses are now I no longer have to work outside, now I can also shop online to make it easier for businesses to do it

Based on the formulation of the problem whether financial innovation has an effect on the development of small and medium enterprises in Harbor Batu, of course in the data analysis carried out it can be concluded that financial technology innovation in the development of small and medium enterprises has an effect on the development of SMEs in Harbor Batu, this can be seen from the significant value of 0.000 meaning more than 0.05 so that H1 is accepted, namely: financial technology innovation (fintech) has an effect on the development of MSMEs in Labuhanbatu.

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