

Analysis of the Role of Financial Technology (Fintech) in Increasing MSME Profits in Medan City

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Article Information	Abstract
<p>Article History: Received : 28-08-2023 Accepted : 03-09-2023 Published: 20 -09-2023</p> <p>Keywords: Fintech, Profits, MSMEs</p>	<p>This research aims to analyze the role of Financial Technology (Fintech) in increasing the profits of MSMEs in Medan City and analyze the risks and obstacles in using Fintech to increase the profits of MSMEs in Medan City. The method used in this research is descriptive qualitative with the type of data used being primary data and secondary data regarding Fintech, and with descriptive analysis techniques through observations, interviews and documentation. The population used is MSME actors in Medan City and the sample used is 20 MSME actors in Medan City who use Fintech as non-cash payments. The results of this research show that the role of fintech in increasing the profits of MSMEs in Medan City includes: a) providing convenience, speed and comfort for MSMEs in making transactions via digital payments; b) make it easier for MSMEs to manage finances and increase income; c) attract customers and increase sales volume by means of MSME players making promotions via fintech platforms; d) makes it easier for MSMEs to monitor sales and profits because the bookkeeping system is automatic; e) make MSME players more active in innovating to increase types of business and expand their marketing. Meanwhile, the obstacles to using fintech in increasing the profits of MSMEs in Medan City are: a) the use of fintech depends on the internet network, if the network is not good then online payment transactions cannot be used; b) MSME players must pay fees to fintech service providers for their use. Meanwhile, the risks of using fintech to increase MSME profits in Medan City are: a) website disruption caused by hackers.</p>

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INTRODUCTION

One of the technological developments in the financial sector is Financial Technology or usually shortened to fintech. Fintech is an innovation in the financial sector that refers to modern technology (Adhitya Wulanata, 2017). The emergence of Fintech as a new

phenomenon is an innovation that is able to change an existing market by offering practicality and convenience. This is in line with Clayton's opinion which says that fintech innovation aims to introduce practicality, ease of access, comfort and economical costs (Hadad, 2017).

Financial Technology is a tool or technology to simplify the transaction process between buyers and sellers and can reduce opportunities for fraud in the transaction process. The use of technology makes financial services easier and more efficient. This is supported by the opinion of (Rizal, Maulina and Kostini, 2018) who said that "By using fintech, the financial system is faster and more flexible and able to reach all groups because fintech provides several financial transaction activity products consisting of payments, investments, loans, delivery, as well as financial analysis".

The role of fintech is in line with the progress of Micro, Small and Medium Enterprises or MSMEs in Medan City. According to (Nuvriasari, Wicaksono and Sumiyarsih, 2018) "MSMEs are a very important sector of the nation's economy and are related to the living needs of many people to the point that they have become the mainstay of the nation's economy. Until now, this industry has increased significantly to the public." The role of Fintech in Medan City is expected to have great potential for the sales profits of MSMEs so that it will also have an impact on the development of MSMEs themselves. People's tendency and desire to be able to carry out transactions efficiently, as well as various other advantages compared to using cash. The use of fintech by MSME players is a manifestation of people's desires who want to carry out transactions easily anytime and anywhere. However, in reality, even though many people have utilized fintech technology, there are still many MSMEs who have not utilized fintech in payment systems.

Research regarding the analysis of the role of fintech on the profits of MSMEs has been discussed by several previous researchers, but few have discussed this problem in North Sumatra, especially in Medan City MSMEs. Apart from that, previous research generally discussed fintech analysis of the development of MSMEs, whereas this research more specifically discusses the role of fintech in increasing profits for MSMEs in Medan City. Among all types of fintech, researchers will only examine one type of fintech that is most widely used and generally known to the public. This type of fintech is Digital Payment. Fintech payment types provide convenience to all levels of society, especially the people of Medan city.

It is hoped that the application of Fintech to MSMEs can be a solution to the current phenomenon where problems that occur in the MSME sector, such as product sales, are still not producing maximum profits and people want things that are fast, young and practical. In this case, researchers will only examine MSMEs that utilize fintech platforms in their payment systems. This hope can be achieved considering that Fintech was created to facilitate the transaction process so that the use of Fintech in MSMEs can help increase profits.

RESEARCH METHOD

This research uses descriptive qualitative research methods. Qualitative descriptive is a research method that is carried out to be able to provide a description of every process or activity that occurs in the research object, whether the object is an inanimate object or animate object. After the data is obtained, problem solving and finding solutions to problems that occur in the object will be carried out. (Arikunto, 2010). Appropriate and

appropriate data makes research results have better results and has great benefits for further research, for this reason it is necessary to select and use the right data, namely primary and secondary data. In this case, primary data was obtained by researchers from interviews with 20 MSME business actors in the city of Medan. Secondary data was obtained from the Medan City Central Statistics Agency, North Sumatra Province Central Statistics Agency, Bank Indonesia Website.

RESULTS AND DISCUSSION

1. Use of Financial Technology in MSME Business in Medan City

The following are the results of research observations regarding the types of digital payments used by MSMEs in the city of Medan:

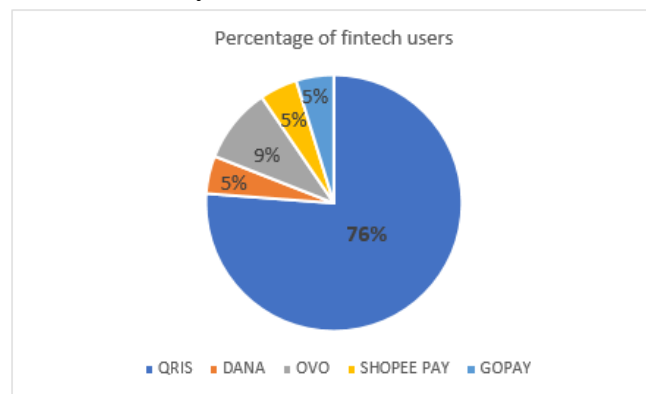


Figure 1: Fintech platform used

From the picture above, it can be seen that there are 5 main platforms used by MSMEs in Medan City to carry out payment transactions, namely QRIS, Dana, OVO, Shopee Pay and Gopay. Where, there are 15 respondents who use the QRIS platform with a percentage of 76%, 2 respondents use the OVO platform with a percentage of 9%, and 1 respondent each uses the Dana, Shopee pay, Gopay platforms with a percentage of 5% each.

From the findings of researchers in the field, they concluded that currently MSMEs in the city of Medan are already utilizing fintech in running their business, especially for digital payments. The fintech platform that is dominantly used by MSMEs in Medan City is QRIS. Easy to use, no need to display lots of QR Codes, just one QRIS which can be scanned using any digital payment application.

2. The role of financial technology in the profits of MSMEs in Medan City

Fintech has become an important part in increasing the profits of MSMEs in the city of Medan, as can be seen from the increase in income after the use of fintech by MSME players. The following are the results of an analysis of the role of fintech on MSME income before and after the use of fintech. The following is data that researchers obtained from interviews regarding the benefits of MSMEs after using fintech:

Table 1: Recapitulation of MSME Profits Before and After Using Fintech

Business Name	Before application of fintech	After application of fintech	Ascension (Percent)
Giboba Medan Timur	2.000.000/month	3.000.000/month	50%
Kopi Kupinang	3.000.000/month	5.000.000/month	66,66%

Sosis Mozarella Corndog	2.000.000/month	2.500.000/month	25%
Pisang Pasir Wais	2.000.000/month	2.500.000/month	25%
Kang Pisang	1.500.000/month	2.500.000/month	66,66%
Dapoer Samawa	4.000.000/month	5.500.000/month	37,5%
Lazatto Chicken & Burger	2.500.000/month	3.000.000/month	20%
Blend & Souffle Cake	2.000.000/month	3.000.000/month	50%
Ice Coffe Blend	2.000.000/month	2.500.000/month	25%
Mr.One Indonesia	6.000.000/month	10.000.000/month	66,66%
Mauliatea	1.500.000/month	3.000.000/month	100%
Warung Nasi Goreng	4.000.000/month	5.000.000/month	25%
Pasclean Laundry	11.000.000/month	12.000.000/month	9,09%
Bubur Ayam Asyifa	3.000.000/month	4.000.000/month	33,33%
Warung Bu Sri	2.700.000/month	3.000.000/month	11,11%
Lontong Wita	9.000.000/month	10.000.000/month	11,11%
Lup Dup Indonesia	4.000.000/month	6.000.000/month	50%
Minnie House Parfume	9.000.000/month	10.000.000/month	11,11%
Mozarella sozzis	2.500.000/month	3.000.000/month	20%
DJ Tea Karya	2.000.000/month	3.000.000/ month	50%

Based on the research findings above, it can be concluded that MSMEs in Medan City have experienced an increase in profits after using fintech, either through online sales or through digital payment transactions. So it can be concluded that the presence of fintech has an important role in increasing the profits of MSMEs in Medan City.

The role of Fintech has an influence on increasing MSME profits, based on the results of interviews that the role of fintech on MSME profits, especially in increasing monthly turnover after implementing fintech. This can happen because by using fintech, MSMEs can easily innovate, promote and make transactions online, thus expanding the marketing of the products they want to sell. Apart from that, MSME players get convenience in the bookkeeping system because sales results are automatically recorded on the fintech platform used. According to research (Luckandi, 2018) which suggests that the factors that support MSME players to use fintech are ease of recording, ease of transaction processing, and increased sales.

The use of fintech digital payment types is very important for business actors, especially MSMEs in the city of Medan, to increase sales and improve the financial performance of their businesses. When income increases, financial performance will certainly increase and improve too. Improved financial performance can be seen from the profits obtained by MSME players. Of all research respondents, researchers found that MSME income in Medan City had increased after using fintech.

3. Risks and Obstacles to Using Fintech in Increasing MSME Profits in Medan City

Where there is convenience, of course there are no difficulties. Apart from providing many conveniences, of course fintech also has various kinds of obstacles that MSME business players can face at any time. Based on the results of an interview with one of the respondents, the obstacles that occur during the use of fintech in MSMEs are: "The use of

fintech is very dependent on the internet network. "So the problem that occurs is that if the network is not good, then online transactions cannot be carried out."

The use of fintech really depends on the speed of the internet network. If the network is not good, transaction activities will be difficult to carry out. Every digital technology that is connected to a network does not always have a smooth network or connection, so this is one of the obstacles that is an obstacle to improving MSME finances in Medan City.

Another factor that is an obstacle is that MSME players have to pay fees to fintech service providers when using fintech as a means of payment transactions. Fees for fintech service providers are an obstacle at the start of their use by MSMEs. However, as time goes by, these costs do not become too heavy a factor, because they can be handled by adjusting the prices of the products to be sold. In the end, MSME players maintain these fintech services because they provide benefits for their business.

Apart from having conveniences and obstacles, using fintech also contains risks, including website disruption caused by hackers. Digital theft (hackers) will always be a fear for MSMEs who depend on online systems for their transaction processes. This is what sometimes makes MSME players hesitate to use fintech based on digital payments. To change this negative perception, MSME players must know about fintech platforms that are officially managed and supervised by the Financial Services Authority (OJK) or Bank Indonesia (BI). By choosing an official fintech platform, the risks that previously existed in the minds of MSME players will disappear due to the security guarantees and multi-layered security systems provided by the fintech service provider.

CONCLUSION

The role of fintech in increasing the profits of MSMEs in Medan City includes: 1) providing convenience, speed and comfort for MSMEs in making transactions via digital payments; 2) make it easier for MSMEs to manage finances and increase income; 3) attract customers and increase sales volume by means of MSME players making promotions via fintech platforms; 4) makes it easier for MSMEs to monitor sales and profits because the bookkeeping system is automatic; 5) make MSME players more active in innovating to increase types of business and expand their marketing.

The obstacles to using fintech in increasing MSME profits in Medan City are: 1) the use of fintech depends on the internet network, if the network is not good then online payment transactions cannot be used; 2) MSME players must pay fees to fintech service providers for their use. Meanwhile, the risks of using fintech to increase MSME profits in Medan City are: 3) website disruption caused by hackers.

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