

# Fintech Effect, Fintech Implementation and Fintech Peer-To-Peer Lending Credit Risk Management on MSMe Financing Distribution

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## Abstract

*The purpose of this study is to analyze the effect of fintech, fintech implementation, and fintech peer-to-peer lending credit risk management on the distribution of financing to MSMEs. This study uses quantitative methods, and survey methods as data collection techniques. The results of this study are based on hypothesis testing, it can be seen that the influence of fintech, fintech implementation, and fintech p2p lending credit risk management simultaneously has an influence on the distribution of MSME financing, which means there is a positive influence. This means that the existence of fintech among the community, especially MSME actors, can make it easier for MSME actors in terms of transaction speed and ease of use, making fintech believed to be able to help their business development. However, if partially based on the results of the hypothesis test, the influence of fintech does not affect the distribution of UMKM financing, which means that there is a negative effect. The implementation of fintech is based on the results of the hypothesis test that there is a partially positive effect on the distribution of UMKM financing and based on the results of the hypothesis test of fintech credit risk management, there is a partial positive effect on the distribution of MSME financing.*

## Keywords

the influence of fintech; fintech implementation; credit risk management



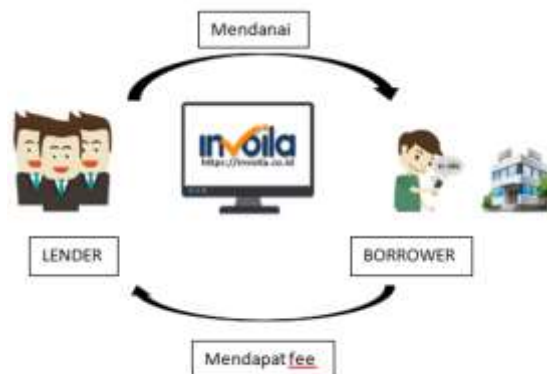
## I. Introduction

In today's advanced and developing era, the use of the internet and technology is growing rapidly in meeting human needs for information and various other electronic services. This is because by using technology everything feels more effective and efficient in its use. With the use of technology, people are greatly helped to get a service. Similarly, in the financial sector, there has also been a significant development (Miswan Ansori, 2019). The ease with which people access the internet makes digital technology have a wide open share. Currently, unicorn startups in Indonesia such as Grab, Traveloka, Shopee, Go-Jek, Tokopedia and so on are making people start making choices to fulfill their daily needs by utilizing the digital technology platform (Wajuba et al, 2021).

According to Hariningsih in 2005 technology is the supply side of the need for fast and inexpensive data processing and communication facilities. Meanwhile, Simarmata 2006

stated that technology can be understood as an effort to get a product made by humans by utilizing equipment, processes, and resources (Dicky Rahman, 2015).

One of the technological developments in the financial sector is fintech ( Financial Technology ). Fintech is one of the innovations in the financial sector that refers to modern technology. The background for the emergence of Fintech is when there is a problem in society that cannot be served by the financial industry (banks) with various obstacles. Among them are regulations that are too strict as is the case with banks and the limitations of the banking industry in serving the community in certain areas. So people who are far from banking access tend not to be served by banks. This results in unequal economic banking (Miswan Ansori, 2019). In this case, businessmen are used as opportunities for businesses in doing business through technology, for example, Invoila which is a Fintech startup engaged in peer-to-peer lending that brings together people with funding needs (Borrowers) and people who are willing to lend. funds (funders). This of course makes it easier for people to invest or get loans for businesses easily without having to meet face-to-face over a long distance. Another benefit obtained by lenders is that they directly get profit sharing paid by the borrower (Miswan Ansori, 2019). In addition, this service also has various advantages from the availability of all online-based agreement tools, ranging from agreement documents, signatures, attorneys, sending billing information ( collection ), loan information status, and providing escrow accounts and virtual accounts in banking to customers. parties and the entire implementation of fund payments take place in the banking system (Darmawan et al, 2019). The digital technology innovation is expected to be able to make Indonesia equal to other countries that are starting to leave the traditional way towards the digital era (Wajuba et al, 2021).



Gambar 1.1 : skema peer to peer (P2P) lending

**Figure 1.** Peer to peer Scheme (P2P) Lending

The schematic image shows how to work in peer-to-peer lending which is quite simple. The way peer-to-peer works is not much different from banking financial institutions where the company only acts as an intermediary to bring together lenders (funders) and borrowers (borrowers). Fintech companies facilitate meetings of lenders with borrowers in the form of an online application so that every transaction made is real-time. Peer-to-peer lending companies also ensure security guarantees for their customers by conducting supervision between lenders and borrowers. This is a form of protection for consumers. The existence of this scheme has the effect of easier access to loans and will also continue to increase financial inclusion in Indonesia. The advantage of this fintech lending is the convenience and speed of transactions compared to transactions through banks (Wajuba et al, 2021).

**Table 1.** Table of interest set by Bank Indonesia

No.	Alternatif Pembiayaan	Bunga	Jangka Waktu Pinjaman	Agunan/Jaminan
1.	<i>Financial Technology (FinTech)</i>	11,3%	1-24 Bulan	Tidak Ada
2.	Bank Umum	14,75%	12-84 Bulan	Ada
3.	Pegadinan	15%	6-36 Bulan	Ada
4.	Bank Pengkreditan Rakyat	17,35%	12-60 Bulan	Ada
5.	Koperasi Simpan Pinjam	15,85%	3-36 Bulan	Ada

Sumber : Bank Indonesia dan OJK

Based on the table of interest, loan term, and collateral *P2P Lending* is superior to the other four financing alternatives, because it offers lower interest rates and does not require collateral in credit terms. The loan period given to borrowers is relatively shorter compared to the other four alternatives. Overall, it can be concluded that *P2P Lending* is superior to other financing alternatives listed in the table (Muhammad Renaldi, 2020).

**Table 2.** Bank and *Fintech Peer to Peer Lending fund distribution*

	2016	2017	2018	2019	2020
Bank	74.313.998	81.918.989	89.087.597	95.772.066	104.602.107
<i>Fintech</i>			55.477.442	502.563.240	855.582.521
<i>P2PL</i>			(Data dari jan-des)		(Data dari jan-jul)

Sumber : Website Ojk, data dan statistik)

According to these data, the public's interest in conducting transactions using *fintech* is quite a lot compared to commercial banks.

However, based on the problems and potentials of financial technology, especially *peer-to-peer lending*, research on *fintech peer-to-peer lending* is still rare. So the author conducted research and discussion with the title "The Influence of *Fintech*, *Fintech* Implementation, and *Fintech Peer to Peer Lending* Credit Risk Management on MSME Financing Distribution" by focusing on introducing easier, more efficient financing and the level of risk management in *P2P Lending fintech financing*.

## II. Review of Literature

### 2.1 Definition of *Fintech*

*Fintech* comes from the term *financial technology* or financial technology. Financial technology (*fintech*) is the result of a combination of financial services and technology that ultimately changes the conventional business model to a moderate one, which initially pays face-to-face and carries a certain amount of cash, can now carry out remote transactions with payment transactions that can be done in just seconds. Buying and selling activities, borrowing funds, and even sending money through *online applications* make things easier so that people are no longer limited by distance and time.

The definition of *fintech* as described by Bank Indonesia is "The use of technology in the financial system that produces new products, services, technology, and/or business models and can have an impact on monetary stability, financial system stability, and/or efficiency, smoothness, security, and reliability. payment system".

*Fintech* is an innovation in the financial sector that gets a touch of modern technology. Financial transactions through this *fintech* include payments, investments, borrowing money, transfers, and so on. Currently, as of September 8, 2021, there are 107 *fintech peer-to-peer lending* or *fintech lending providers* registered and licensed at the OJK.

The *financial technology industry (fintech)* is one of the methods of financial services that are gaining popularity in today's digital era. One of the most developed in the *current*

*Covid-19 era* is digital payments. This sector is what the government expects the most to reduce transactions using cash which can trigger the transmission of *COVID-19* to the public. Sihombing (2020) state that Covid-19 pandemic caused everyone to behave beyond normal limits as usual. The outbreak of this virus has an impact especially on the economy of a nation and Globally (Ningrum, 2020). The problems posed by the Covid-19 pandemic which have become a global problem have the potential to trigger a new social order or reconstruction (Bara, 2021).

*Fintech* with financial services such as *crowdfunding*, *mobile payments*, and money transfer services is causing a revolution in the *startup business*. With *crowdfunding*, you can easily get funds from all over the world, even from people you've never met. *Fintech* can also be a solution. *Fintech* also has an important role in changing consumer behavior and expectations, including (Muhammad Irzan Fikri Dalimunthe, 2019)

*Fintech* with financial services such as *p2p lending* experienced a significant increase in lending. Focusing on the ease and speed of the process is the reason why the community or MSMEs are increasingly familiar with *p2p lending* to be able to meet their business needs. For the community, especially MSMEs who are creditworthy but not *unbanked*, using this *p2p lending service* will open access to financing and fill gaps in needs in their business.

## 2.2 MSME

### a. Understanding SMEs

SMEs or commonly known as small and medium enterprises is a term that refers to a type of business founded by individuals and has a net worth of at most Rp. 200,000,000.00 (not including land and buildings).

Based on Law Number 20 of 2008, the definition of Micro, Small, and Medium Enterprises (MSMEs) is:

- a. Micro-enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for micro-enterprises as stipulated in the law.
- b. A small business is a productive economic business that stands alone and is carried out by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled, or become a part, either directly or indirectly, of a medium-sized business or business.  
large businesses that meet the criteria for small businesses as referred to in the law.
- c. What is meant by small and medium enterprises are business activities with a scale of activity that is not too large, management is still very simple, available capital is limited, and the market that is reached is not yet widespread.
- d. Medium business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part either directly or indirectly with small businesses or large businesses with total net assets or annual sales proceeds as regulated in this law. The business world is micro, small, medium, and large businesses that carry out economic activities.
- e. Another word for a business actor is an entrepreneur ( *entrepreneurship* ). In simple terms, entrepreneurship *can* be defined as entrepreneurs who can see opportunities by seeking funds and other resources needed to work on these opportunities, dare to take risks related to the implementation of the business they are engaged in, and run the business with growth and expansion plans.

**Table 3. MSME Criteria**

NO	USAHA	KRITERIA ASET	KRITERIA OMSET
1.	Usaha Mikro	Maks. 50 Juta	Maks. 300 Juta
2.	Usaha Kecil	> 50 Juta – 500 Juta	> 300 Juta – 2,5 Miliar
3.	Usaha Menengah	> 500 Juta – 10 Miliar	> 2,5 Miliar – 50 Miliar

Sumber : Kementerian Koperasi dan Usaha Kecil dan Menengah



Gambar 1.2 : Kurva Penyaluran Dana Pinjaman Online  
Sumber : Statistik *Fintech Lending* OJK 2021

**Figure 2. Online Loan Disbursement Curve**

From the curve image above, it shows that more and more people are using loan services through *fintech*, thus showing that the implementation or purpose of *fintech* can help some people.

### **b. Credit Risk Management**

Risk is the possibility of a loss due to non-fulfillment of the things that we have set before. Risk management is a management that is carried out to find out, analyze and control business risks to a minimum so that operational activities can run effectively and efficiently (Noel Chabannel Tohir, 2012). Based on an interview with Mr. Fransiskus VJS as Invoila's *Business Development & Compliance Manager*, in general, business risks in *fintech* are the same as banking risks. And according to the *Risk Manager*, Mrs. Wulan Mawarti, on July 18, 2021, credit risk arises from 3 things, first, willing and able, meaning that the debtor has the ability and is willing to pay the loan. Second, being willing and unable means that the debtor has the ability but does not want to pay the loan. Third, unwilling and unable mean that the debtor is unable and unwilling to repay the loan.

### **2.3 Financial Technology (Fintech) Risks**

According to the Financial Services Authority (2016), the risks experienced by *fintech users*. Strategies to protect consumers are as follows:

1. User fund protection. Potential loss or decline in financial capacity, whether caused by abuse, fraud, or *force majeure* from *fintech activities*.
2. User data protection. The privacy issue of *fintech users* who are prone to misuse of data both intentionally and unintentionally ( *hacker* or *malware attacks* ).

### **2.4 Perception of Risk**

Perception of risk is the customer's perception of uncertainty and undesirable consequences in carrying out activities. Perceived risk, the higher the resulting risk, the user will be motivated to avoid using the product (Dowling and Staelin, 2001). The risk perception variable can be measured using the following indicators:

1. Thinking about risk
2. Security level
3. The disturbance that causes loss



#### 4. Guarantee at risk

Thus, the perception of risk is a negative assumption and uncertainty about the losses or gains that will be received (Leoni Joan, 2019).

### 2.5 Development of Micro, Small, and Medium Enterprises

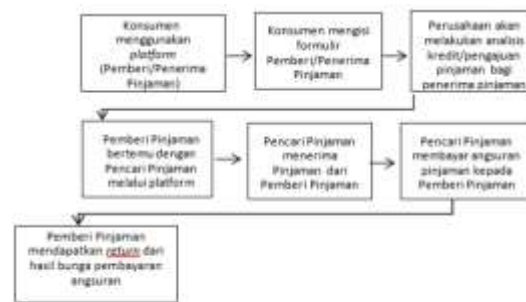
Business development is a form of business for the business itself to reach the peak of success and to develop for the better. So the development of MSMEs is an action/process to advance MSMEs to better adapt to technology, markets, and new challenges from the changes that occur.

One of the aspects that affect the development of MSMEs is the financial aspect. Traditional financial management is still attached to MSME actors, and limited capital is an obstacle to MSME development, so the existence of P2P Lending-based *fintech* is expected to be able to help the development of MSMEs.

The indicators in business development, among others:

1. Motives change the situation
2. Opportunity to grow
3. Level of need for external coaching

### 2.6 P2P Lending Fintech Business Process Cycle



Gambar 2.1 Siklus Proses Bisnis Fintech P2P Lending

Sumber : Napituh, Rubini, Khasanah, dan Rahmawati, 2017:30

Figure 3. P2P Lending Fintech Business Process Cycle

Information:

1. Consumers use the platform by first downloading the application or opening the website of the *relevant Fintech P2P Lending*. Then the consumer registers himself as a lender ( *lender* ) or borrower ( *borrower* ).
2. Lenders and borrowers fill in registration data online and submit the required documents.
3. After the *P2P Lending Fintech company* checks or *screens* whether the data submitted by the lender and the borrower is correct, the *P2P Lending Fintech company* will conduct a credit analysis/loan application for the borrower. Lenders will also be given an account and can search for loans they want to fund through the platform.
4. The company brings together lenders and borrowers through a company-owned platform.
5. If the funds have been collected, then the disbursement of funds is carried out and the borrower begins to have the obligation to pay installments that have been agreed with the lender beforehand.
6. If the borrower pays smoothly, the *return* will be obtained by the lender. If the borrower is late in paying the installments, an *internal credit collection* procedure will be carried out with the service provider company/ *debt collector*. In the event of a *default*, the company will assist the loan repayment process. However, if it still fails, legal action will be taken as the last option and the risk of loss will be borne by the lender.

### III. Research Method

#### 3.1 Research Model

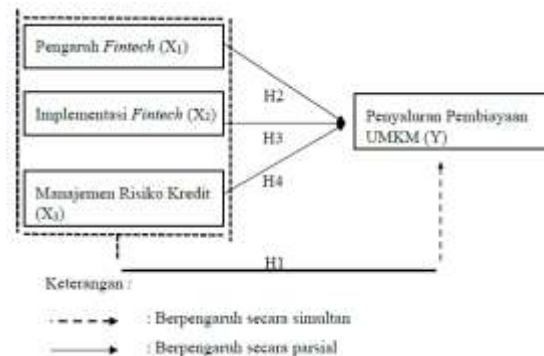


Figure 4. Research Model

Based on the research model above, the framework of the variables to be analyzed is simultaneously the influence of *fintech*, *fintech* implementation, and *fintech peer-to-peer lending credit risk management* on the distribution of MSME financing and the partial relationship between the influence of *fintech*, *fintech* implementation, and *fintech peer* credit risk management. *to peer lending* to the distribution of MSME financing.

##### a. Research Plan

The method used in this study is quantitative. Survey method as a data collection technique. The place of this research is a *Fintech Peer to Peer Lending* company that was founded in 2015. This research was conducted by the author from May 2021 to September 2021. This study was to determine the effect of *fintech*, *fintech implementation*, and credit risk management on financing distribution.

The questionnaire is an instrument for collecting data or information which is operationalized in the form of items or statements. The preparation of the questionnaire was carried out in the hope of knowing what variables the respondents thought were important. This questionnaire contains questions regarding the influence of *fintech variables*, *fintech* implementation, and *P2PL fintech* credit risk on MSME financing as stated in the operationalization of variables. This questionnaire is closed, where the statement brings the respondent to an alternative answer that has been previously determined so that the respondent just chooses in the column provided.

##### b. Research Subject

The subjects in this study are individuals or MSME actors who transact and have not transacted with *fintech peer-to-peer lending financial institutions* and who have not made transactions in *fintech p2p lending*.

##### c. Research Location and Time

The research location in this research is PT Sol Mitra Fintec Menara Citicon Jl Letjen S. Parman Kav 72, Slipi West Jakarta with a case study for the business team and analyst team PT Sol Mitra Fintec Menara Citicon Jl Letjen S. Parman Kav 72, Slipi West Jakarta. Analysis of their consumer behavior, in this case, are the actors.

#### d. Data Types and Sources

The type of data used in this study is primary data, namely data obtained through interviews with Invoila's *Business Development company and will be followed by a questionnaire which will later be distributed*. Data collection is carried out in the following way:

1. *Library Research* as secondary data

This research was conducted by reading, and studying journals, online newspapers, other internet media, and various other written sources related to the research topic.

2. Survey Techniques

The data collected and used in this study is primary data so the data procedure is carried out by survey techniques or interviews with *fintech peer-to-peer lending companies*.

#### e. Population and Sample

##### 1. Research Population

The research population is a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by the researcher to be studied and then drawn conclusions. The population of this research is borrowers from the financial sector of PT Sol Mitra Fintec (*fintech peer-to-peer lending*).

##### 2. Research Sample

The sample is part of the number and characteristics possessed by the population (Sugiyono, 2016). The selection of research samples using the accidental method where anyone who accidentally / coincidentally / *incidentally* meets the researcher can be used as a sample if it is deemed that the person who happened to be met is suitable as a data source. To determine what the minimum sample size should be, use the Slovin formula as follows:

$$n = \frac{N}{1 + Ne^2}$$

Information:

n = Sample size

N = Population size

e = The desired critical value (research limit)/margin of error max.

$$n = \frac{4.353}{1 + 4.353(0,1)^2} = \frac{4.353}{1+43} = 98.93$$

The max margin of error used is 10%. So, the sample used in this study was 98.93 and rounded up to 100 respondents.

### III. Results and Discussion

#### 4.1 Result

Based on the results of the survey conducted, it is known that almost all respondents use *fintech p2p lending services* and are active users. From the results of research that have been carried out on the Effect of *Fintech, Fintech Implementation, and Fintech Peer to Peer Lending Credit Risk Management on MSME Financing Distribution*, there is the following information:

a. 100 respondents have filled out the questionnaire.

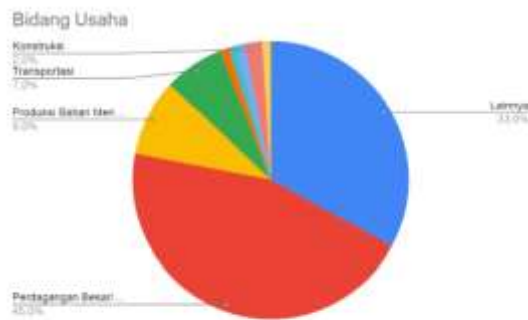
b. The categories of respondents can be seen in the following figures and tables:





Gambar 4.1 Pelaku UKM yang menggunakan jasa *Fintech P2P Lending*  
 Sumber : hasil survey, 2021

**Figure 5. SME Actors Using Fintech P2P Lending Services**



Gambar 4.2 Bidang Usaha Responden UMKM  
 Sumber : hasil survey, 2021

**Figure 6. Business Fields of MSME Respondents**



Gambar 4.3 Lama Beroperasi Usaha Responden UMKM  
 Sumber : hasil survey, 2021

**Figure 7. Length of Operation of MSME Respondents' Business**

Based on the image data that can be analyzed in descriptive statistics of respondents in this study are:

1. Respondent

The total for respondents in this study was 100 respondents with a percentage of 100%.

1. SME Actors Using *Fintech Services*

Based on the results of the research that has been done, data can be obtained with the number of respondents who use *fintech services* is greater with a percentage of 69%, compared to respondents who do not use *fintech services* with a percentage of 31%.

2. Business Field

For the business sector in this study, the large/small trade sector has the largest percentage and the following are the details: Services 1%, Communication 1%,

Construction 2%, Others 33%, Manufacturing 1%, Large/small trade 45%, Agriculture 1%, Production of raw materials 9%, Transportation 7%.

3. Length of Business Operation

The length of operation in this study was classified into 4 groups, namely <1 year, 1-2 years, 3-4 years, and >5 years. Based on the results of the research that has been done, it is obtained that the data for operating years <1 year is 13%, 1-2 years is 34%, 3-4 years is 21% and >5 years is 32%.

4. Province

The results of the provinces in this study were in Bali there were 3%, Bandung was 1%, Banten was 14%, Bekasi was 1%, DI Yogyakarta was 1%, DKI Jakarta was 68%, West Java was 7% and Central Java was 5%.

**a. Fintech Effect**

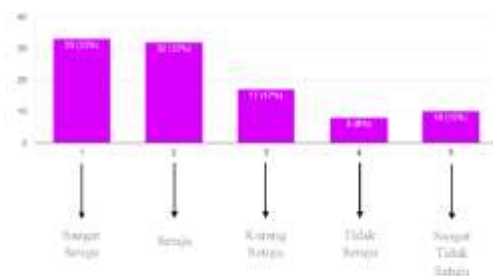
The rapid development of *fintech* starts with the development of the digital economy. With the existence of a digital *startup* that offers several advantages to make it easier for the public in terms of *online shopping*, ordering food, transportation, to the convenience of making money loans and investments.

In a follow-up survey of the community as SMEs, most SMEs are familiar with *fintech*, although there is still something that must be explained first regarding the definition and products of *fintech services*. This explanation can be seen from the survey obtained, there are 43% of the SME community feel very satisfied and there are 33% feel very safe and protected against the use of *fintech*.



Gambar 4.4 Aplikasi *fintech* memberikan kepuasan terhadap pengguna  
Sumber : hasil survey, 2021

**Figure 8. Fintech Applications Provide User Satisfaction**



Gambar 4.5 Aplikasi *fintech* membuat pengguna merasa aman dan terlindungi  
Sumber : hasil survey, 2021

**Figure 9. Fintech Apps Make Users Feel Safe and Protected**

**b. Fintech Implementation**

In this study, it can be seen that many people have used *fintech services*. The type of *fintech* that is most widely used by respondents is OVO, which is the most popular and most

widely used *fintech service* by respondents for purchase transactions, and those using P2P Lending financial services such as Invoila for business capital transactions.



Gambar 4.6 Layanan e-wallet dan aplikasi kredit yang digunakan  
Sumber : Hasil Survey, 2021

**Figure 10.** The e-wallet service and credit application used

*Fintech* phenomenon in the world of the digital economy must of course be understood by the public as users. Based on the survey results, it is known that almost all respondents have accounts and are active users of *e-wallet* applications or credit applications, although they have not been actively using the application for a long time.



Gambar 4.7 Lama penggunaan aplikasi e-wallet dan aplikasi kredit  
Sumber : hasil survey, 2021

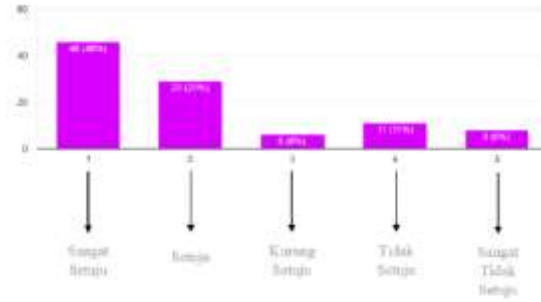
**Figure 11.** Duration of Use of e-wallet Applications and Credit Applications

*Fintech* users in the community, which is already quite large, do not appear suddenly without any reason. Most of the respondents are interested in using *fintech service products* because of the ease of access and ease of transactions. The convenience is due to the various kinds of *fintech applications* today so that many MSME players can get easy access to services just by using a mobile phone that is already installed on the *mobile application*.



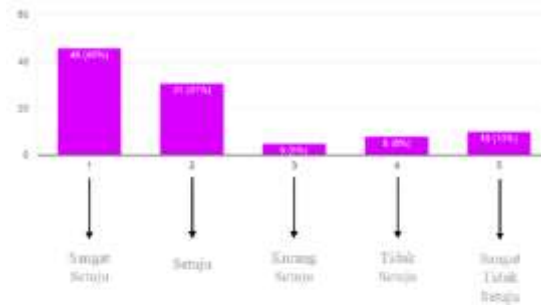
Gambar 4.8 Penggunaan *fintech*  
Sumber : hasil survey, 2021

**Figure 12.** Use of Fintech



Gambar 4.8 Proses transaksi melalui *Fintech* lebih cepat  
Sumber : hasil survey, 2021

Figure 13. Faster Transaction Process through *Fintech*



Gambar 4.9 Akses pada Aplikasi *Fintech* lebih mudah  
Sumber : hasil survey, 2021

Figure 14. Easier Access to *Fintech* Applications

### c. *Fintech* Credit Risk Management

The lack of proper preparation for the presence of *fintech* in Indonesia has resulted in the emergence of various kinds of risks to its users. One of the risks that get attention is terms of customer data security. The survey results show that *fintech users* so far still feel safe in the level of security/risk to their use. What *fintech users*, especially p2p lending *fintech users* must know, is that there is a regulation from the Financial Services Authority (OJK) confirming that registered *fintechs* only ask for the camera, microphone, and location access. So that *fintech* parties cannot access other data including customer data other than the camera, microphone, and location.

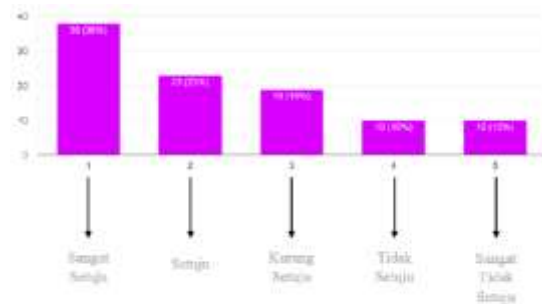


Gambar 4.10 Tingkat keamanan risiko *fintech*  
Sumber : hasil survey, 2021

Figure 15. *Fintech* Risk Security Level

The convenience and speed of *fintech transactions*, especially p2p lending, make many MSMEs choose to transact at *fintech* compared to transacting at conventional banks. For p2p

*lending fintech actors*, especially productive lenders, usually ask for guarantees or a basis for the loan application submitted by the MSME. The survey results show that MSMEs do not object to these requirements.



Gambar 4.11 Tingkat jaminan tidak memberatkan pihak UMKM  
Sumber : hasil survey, 2021

**Figure 16.** *The Level of Guarantee Does Not Burden MSMEs*



Gambar 4.12 Tingkat pengguna berani mengambil risiko terhadap fintech  
Sumber : hasil survey, 2021

**Figure 17.** *Level of Users Willing to Take Risks to Fintech*

#### d. Disbursement of Financing

Based on the research data, it can be described that the classification of the number of *fintech p2p lending* products owned by each SME is as follows:

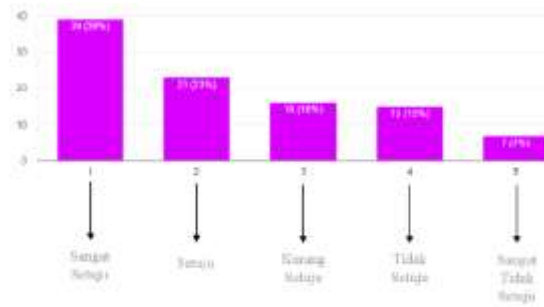


Gambar 4.13 Produk yang dimiliki  
Sumber : hasil survey, 2021

**Figure 18.** *Owned Products*

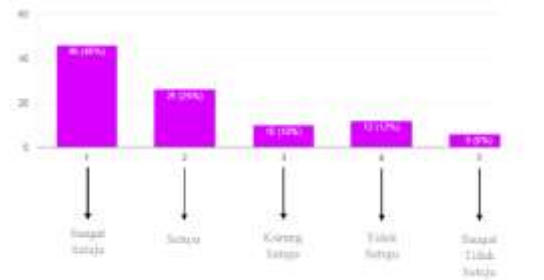
From the data above, most SME owners only have 1 *p2p lending fintech product*. And according to a survey of transaction agreement document agreements at *fintech p2p lending*, transparent and in accordance with the agreement should be. So *fintech* is also believed to be able to open up business opportunities for the development of SMEs. The results can be seen as follows:





Gambar 4.14 Dokumen transparan dan sesuai  
Sumber : hasil survey, 2021

**Figure 19. Transparent and Compliant Document**



Gambar 4.15 Fintech membuka peluang usaha perkembangan UMKM  
Sumber : hasil survey, 2021

**Figure 20. Fintech Opens Business Opportunities for MSME Development**

## 4.2 Discussion

### a. Effect of Fintech, Fintech Implementation, and Fintech Credit Risk Management Peer to Peer Lending on Simultaneous Distribution of MSME Financing

Based on the results of hypothesis testing, it can be seen that the influence of *fintech*, implementation of *fintech*, and credit risk management of *fintech p2p lending* simultaneously has a significant influence on the distribution of MSME financing. The form of the influence of the variable that the influence of *fintech*, *fintech* implementation, and credit risk management of *fintech p2p lending* together affect the distribution of MSME financing is positive. This means that the existence of *fintech* among the community, especially MSME players, can make it easier for MSME actors in terms of transaction speed and ease of use, making *fintech* believed to be able to help their business development.

The influence of *fintech* can be felt by many people, it can be seen from the use of an application that has a *cellphone* and internet quota capable of making people make transactions faster, for example, payments using banking, Gopay, OVO, and so on. The influence of *fintech* in the type of *peer-to-peer lending* can also be felt by people who have a business and need business capital, submissions only use *cellphones* and internet quotas, MSME actors can get loans, unlike loans through banks which require to come and have quite a lot of requirements. compared to *fintech p2p lending*.

The implementation of *fintech* can be felt by many people, with the ease and speed of carrying out all transactions, making *fintech* enthusiastically welcomed by the public. For *fintech* in the type of *peer-to-peer lending*, it can help provide business capital loans easily and quickly, the loan application process does not make it difficult for *borrowers*, and disbursement takes only 1-2 working days, making people, especially SMEs, choose to borrow through *fintech* compared to banks. conventional.

In *fintech* credit risk management, currently, the risk of data leakage through *fintech loans* is in the spotlight, therefore it is hoped that the public before using *fintech services*, especially *p2p lending*, can first check whether *the platform* is registered with the OJK.

Checking the status of *fintech p2p lending licensing* can be done through the OJK website as follows <https://www.ojk.go.id/id/kanal/iknb/financial-technology/>. However, many people have trusted *fintech*, thus making people more willing to take risks to make loans through *fintech*.

From the results of this study, the distribution of financing to MSMEs is related to the research theory, namely the *technology acceptance model* (TAM), which explains a person's intention to use technology is determined by two factors, namely the perception of usefulness and the perception of ease of use which is a person's level of belief that by using technology can make it easier. The TAM theory is associated with the influence of *fintech*, and the implementation of *fintech* is influenced by several variables that can be perceived. Modern and today's technological sophistication, if used properly and optimally, will produce real benefits.

This study supports the research conducted by Wajuba *et al*, 2021 that the effect of *p2p lending* on economic growth has a positive and significant effect.

### **b. The Effect of *Fintech* on Partial Distribution of MSME Financing**

Based on the results of the hypothesis test, it can be seen that the influence of *fintech* has no influence on the distribution of MSME financing, which means that there is a partial negative (-) influence of *fintech* on the distribution of financing. This can be seen from the results of questionnaires conducted by the community, especially MSME actors who doubt the quality and are not satisfied with *the p2p lending fintech*, with these doubts causes people to think negatively about the influence of the *p2p lending fintech*.

The impact of the existence of *fintech* has an impact as a tool for payment, settlement/*settlement*, and clearing. Assist in the implementation of the more efficient investment. Mitigation of risks from conventional payment systems. However, many people are caught up in interest from P2P lending *fintech loans* which cause people to lose their minds, such as suicide and so on. Suggestions or ways to avoid the trap are to use loan funds, not as funds for consumptive purposes, use these loans as productive loans, for example for business venture capital as MSMEs.

With the increasingly rapid existence or development of *fintech*, it is expected to increase financial literacy sustainably and the public can be more selective in the use of loans through *fintech*. However, this study is not in line with the research conducted by Wajuba *et al*, 2021 regarding the analysis of the influence of *fintech lending* having a positive and significant effect on the Indonesian economy.

### **c. Implementation of *Fintech* on Partial Distribution of MSME Financing**

Based on the results of hypothesis testing, it can be seen that the implementation of *fintech* has a significant effect on financing distribution, which means that there is a partial positive (+) effect on financing distribution. The existence of *fintech* is not only limited to helping finance business capital but also *fintech* has penetrated various aspects such as digital payment services and so on. In increasing financial inclusion for MSMEs in Indonesia, the implementation of *fintech* has obstacles including the lack of financial literacy, human resources, legislation, and infrastructure. However, the convenience of users, which currently many people cannot do without *mobile phones*, makes it easier for people to make transactions such as purchases, investments, capital loans, and so on.

Suggestions for *fintech service users* are not to be easily tempted by the ease and speed of transactions from *fintech p2p lending* so that they are not easily plunged into digging holes and closing holes. In a study conducted by Muhammad Irzan, it was stated that the presence of several *fintech companies* contributed to the development of MSMEs, which means that the implementation of *fintech* has a positive effect.

#### **d. Fintech P2P Lending Credit Risk Management on Partial Distribution of MSME Financing**

Based on the results of the hypothesis test, it can be seen that credit risk management has a significant effect on the distribution of financing, which means that there is a positive (+) influence partially on the distribution of MSME financing. A common type of risk from *fintech*, which is the same as banking, is the risk of default. In addition to these risks, *fintech* also has *cybersecurity risks* and misuse of debtor data. Suggestions for *fintech users* can check licensed *fintech* through the following OJK website <https://www.ojk.go.id/id/kanal/iknb/financial-technology/> to avoid the risks that might occur, so use a platform that is already registered and licensed at OJK.

The process of borrowing and borrowing transactions without having to meet face-to-face is the biggest risk for *fintech*, therefore loan applications through *fintech* are required to carry out various analyzes, such as 5C analysis (*Character, Capacity, Capital, Collateral, Condition*). The loan application process through the *fintech* analyst team also checks through Pefindo (*credit rating agency*) and FDC (*Fintech Data Center*) to mitigate risk. The success of this default risk management is shown by the TKB90 (*Payment Success Rate*) which is a measure of the success rate of *fintech p2p lending* in repaying loans by borrowers within 90 days of maturity. A study conducted by Trisadini Prasastinah Usanti *et al*, 2020 stated that it is necessary to carry out credit risk management that has been carried out by banks in minimizing credit risk with 5C analysis. The risk management carried out by banks can be used as a model for *fintech lending to minimize credit risk, although so far, p2p lending fintech* financial service providers have used a credit scoring system in determining loans and interest rates.

### **V. Conclusion**

This study aims to determine the effect of fintech, fintech implementation, and fintech peer-to-peer lending credit risk management on the distribution of MSME financing. Based on the research that has been described in the previous chapter, it can be concluded as follows:

1. The results of testing hypothesis 1 prove that the influence of fintech, fintech implementation, and fintech peer-to-peer lending credit risk management simultaneously affects the distribution of MSME financing.
2. The results of testing hypothesis 2 prove that the influence of fintech hurts the distribution of MSME financing. This is because the public still assesses the quality and satisfaction of the influence of fintech is still considered less accepted by the community of MSME actors.
3. The results of testing hypothesis 3 prove that there is a partially significant positive effect of the fintech implementation variable on the distribution of MSME financing. Because the more it is implemented, the more MSME actors will make loans through fintech.
4. The results of testing hypothesis 4 prove that there is a partially significant positive effect of the fintech p2p lending credit risk management variable on the distribution of MSME financing. Because the better the management of fintech in making rules, the MSMEs will make loans through fintech.

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