

Influence Of Financial Technology (Fintech) On Msme Financial Performance In Gorontalo City

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Abstrak

This study aimed to find the influence of Financial Technology in the form of Capital Loans (X1), Digital Payment Services (X2), and Financial Regulatory Services (X3) on the Financial Performance (Y) of the MSME "Boutique" in Gorontalo City. This study used quantitative methods. The analytical method employed in this study was path analysis using SPSS version 23. The results showed that Financial Technology in the form of capital loans (X1) influenced the Financial Performance (Y) of the MSME "Boutique". Digital Payment Services (X2) influenced the Financial Performance (Y) of the MSME "Boutique". Financial Regulatory Services (X3) influenced the Financial Performance (Y) of the MSME "Boutique".

Kata Kunci: Financial Performance_1, Financial Technology_2, MSME_3

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1. Introduction

Micro, Small and Medium Enterprises (MSMEs) play an important role in Indonesia's economic growth. The contribution of MSMEs to the Indonesian economy, among others, is able to absorb 97% of the total workforce and be able to collect up to 60.4% of the total workforce total investment and contribute to Gross Domestic Product (GDP) of 61.07% or worth 8,573.89 trillion rupiah (Coordinating Ministry for the Economy, 2021). But in its development it still faces various problems. So far, MSMEs are still facing obstacles, especially in accessing MSME capital and banks as credit providers to MSMEs. According to Suryandani and Muniroh (2020) in their research, it is stated that MSMEs still face many obstacles such as difficulties in product marketing, minimal use of technology, lack of innovation, capital and low quality of human resources.

One of the factors that can help the MSME sector in Gorontalo to overcome problems that often occur is by utilizing technological advances. Technology in Indonesia has undergone many significant changes. Technology is a useful tool that makes it easy for users to use the resources they need. It is easier and more practical to use technology in resources, which makes technology very useful for society (Rahardjo et al., 2019). The rapid progress of the internet is able to create new innovations, one of which is Financial Technology (Fintech).

Fintech comes from the words financial and technology which means the use of technology to improve financial and banking services (Iman, 2016). The development of fintech and the ease of services provided are the potential for the community to carry out entrepreneurial activities. Financial technology can provide simpler services for users, especially from the MSME sector, for example by making loans via the internet where they MSME owners only need to complete the required documents online. The emergence of

various financial service industries seems to be a new trend in society. With increasingly sophisticated technology, it can affect MSMEs. In research conducted by (Dalimunthe, 2019) explains the purpose of implementing financial technology in banking, namely to increase efficiency in user services. According to Rahardjo et al (2019) that the impact of financial technology plays an important role in improving the performance of MSMEs in the form of increasing operational efficiency and the efficiency of its members.

Micro, Small and Medium Enterprises (MSMEs) in Gorontalo City are growing very rapidly with various types of business fields, especially MSMEs engaged in the fashion sector. The fashion industry has recently become the most profitable and popular industry in Gorontalo. Fashion is one of the mainstays of creative economy exports compared to other sub-sectors. One of the MSMEs engaged in fashion is a boutique. Boutiques are often found and spread almost throughout the city of Gorontalo. This makes the boutique MSME sector one of the MSME sectors that provide income for regional income.

However, so far, the business growth of the boutique MSME sector in Gorontalo City has not been maximized after the COVID-19 pandemic. The turnover of boutique MSMEs has decreased and is still faced with various obstacles such as limited capital and business financial management, so that it has an impact on the financial performance of boutique MSMEs in Gorontalo City. With these conditions, it is very important for MSMEs in Gorontalo City to continue to improve their business performance, one of which is through the application of fintech.

With the existence of financial technology, it can help boutique SMEs in improving financial performance. Good fintech implementation can have an impact on financial performance and has the potential to be an economic solution. The existence of Financial Technology for small businesses can help and improve business performance such as transaction speed, ease of payment, ease of financial and goods supervision and ease of communication with consumers. So it is hoped that the use of good fintech can improve the financial performance of MSMEs to the maximum.

Based on the phenomena in this study, the researchers will conduct an in-depth analysis related to how much Financial Technology (Fintech) affects the Financial Performance of Boutique SMEs in Gorontalo City. Researchers hope that this research can be used as input and recommendations for MSMEs in Gorontalo City, so that in the future the performance of MSMEs can be better, so that they are able to make a major contribution to the welfare of MSME actors, the community and the region.

2. Literature Review

2.1. Financial Technology (Fintech)

According to the National Digital Research Center (NDRC), Ireland defines FinTech as “innovative financial services” or “innovation of financial services” which describes the regeneration of the financial sector that acquires elements of modern technology. Financial businesses that use fintech include payments, investments, money loans, remittances, financial plans, and comparison of financial products (Ernama Santi et al., 2017).

Bank Indonesia (BI) defines fintech as the result of a combination of financial services and technology that changes traditional business models to modern ones, which initially made face-to-face payments and accommodated a certain amount of cash, now transactions can be carried out by making payments that can only be done in a few seconds. Fintech is an online financial service in the field of information technology (IT) that is used to advance the financial sector to make changes and capabilities in financial services (Riyanto, 2019).

Based on these definitions, it can be concluded that fintech is a form of implementing financial services by utilizing technological sophistication with the aim of improving the quality of financial services and providing convenience for its users.

2.2. Fintech Indicator

According to Muzdalifa et al (2018) financial technology includes:

1. Capital Loans,

Fintech companies are here to provide capital loan services through a more complex and simpler application process compared to conventional financial institutions such as banks without providing collateral and only completing several document requirements, this online loan service is an alternative to conventional bank loans or companies other loans.

2. Digital Payment Services

Fintech companies also provide easier and safer digital payments for businesses. Through an easy payment process with safe money, it will be able to attract more consumers to provide benefits for businesses.

3. Financial Management Services

The services provided include recording expenses, monitoring investment performance, and financial consulting at no charge. Several financial technology companies that offer financial management services such as Dompot Sehat and Ngaturr duit.com.

2.3. Financial Performance

Financial performance is the achievement of achievements during a certain period in the company's financial management, with the company's achievements showing how it is performing (Rengganis & Valianti, 2020). According to Fahmi (2018:142) financial performance is an analysis carried out to find out how well the company implements it by using financial implementation rules correctly and appropriately. A good company's financial performance is the implementation of established rules that have been implemented properly and correctly. According to Surya Sanjaya (2018), financial performance is the level of success achieved by the company in order to obtain good financial management results. According to Zarkasyi in (Ilhami & Thamrin, 2021) financial performance is something that is produced or achieved by a company.

2.4. Financial Performance Indicator

In Rokhayati's research in Indriyani (2018), the level of success of financial performance can be seen from several indicators of assessing the success of the financial performance of an MSME business, which is divided into three measurements:

1. Sales Growth Rate/Sales Turnover Increase

Sales growth reflects the investment success of the past period and can be used as a prediction of future growth. Sales growth is an indicator of demand and competitiveness of companies in an industry.

2. Increased Capital/Financial Growth Rate

The company's capital growth is the percentage result of the increase in the current capital compared to the previous amount of capital. A company that has a high growth rate will have sufficient capital to finance its growth.

3. Increasing Profit/Profit Growth Rate

Profit is one of the important indicators in measuring the success of a company, it can show that the management has succeeded in managing the company's resources effectively and efficiently.

3. Method, Data, and Analysis

The research method used in this research is by using quantitative methods. Quantitative research methods are research methods based on the philosophy of positivism, used to examine certain populations and samples and collect data using research instruments (Sugiyono, 2015: 8).

The population in this study is MSME Boutique in Gorontalo City which is recorded at the Department of Manpower, Cooperatives and SMEs in Gorontalo City with a total of 38 business actors. In taking the sample, the researcher was guided by Arikunto's opinion. According to Arikunto in (Nuzuar, 2018:269) if the population is less than 100, then all populations will be sampled. Considering that the population in this study was 38 business actors, it was decided to take a total sample, which means that the entire population was used as the research sample.

The source of data in this study is MSME data from the Department of Manpower, Cooperatives and SMEs of Gorontalo City. Internal data in the form of the number of SMEs Boutique Gorontalo and the results of filling out the questionnaire from the SMEs themselves.

The data collected from the results of the questionnaire distribution will be processed and analyzed with the aim of becoming information using the SPSS (Statistical Products and Service Solutions) data processing tool. Before conducting path analysis, validity and reliability tests were first performed.

To ensure the sub-variables, the test is carried out with a path analysis test (Path Analysis), by first converting the ordinal scale data to an interval scale through the Successive Interval (MSI) Method. Path analysis is used with the consideration that the pattern of relationships between variables in the study is correlative and causal. The research hypothesis is shown through the structure of the relationship between the independent variable and the dependent variable. This path diagram can be seen in the following path structure:

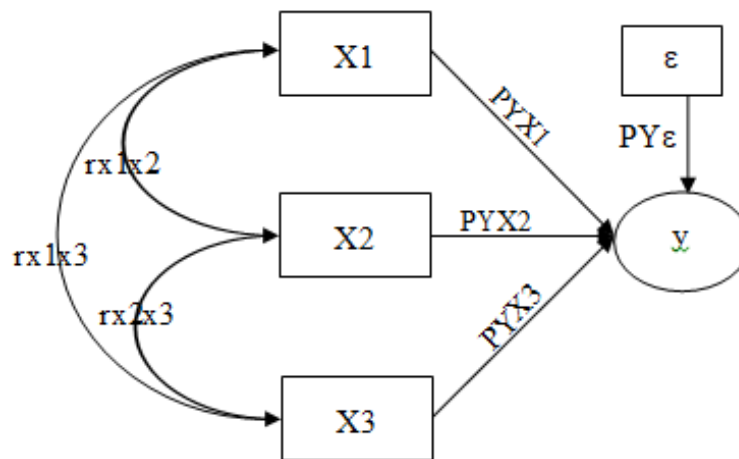


Figure 3.1. Path Analysis Structure

In the picture above can be seen in the following equation:

$$Y = PYX1 + PYX2 + PY\epsilon$$

Where :

- Y: Dependent variable (MSME Financial Performance)
- X1 : Independent variable (Capital Loans)
- X2 : Independent variable (Digital Payment Service)
- X3 : Independent variable (Financial Regulatory Service)
- : Other variables that affect Y
- r : Correlation between variables X
- PY : Path coefficient to get direct effect

4. Results And Discussions

4.1. Statistical Data Analysis

The results of statistical data processing using path analysis for each X and Y variables in this study are as follows:

- a. Generating Path Structural Equation Results

$$Y = 0.396X1 + 0.673X2 + 0.278X3 + 0.142\epsilon$$

- b. The results of the calculation of the correlation coefficient between the variables X1, X2, X3 and the Y variable are arranged in the correlation matrix in the following table:

Table 4.1 Correlation Matrix between Variables X and Y

Var	X1	X2	X3	Y
X1	1,000	.127	.202	.538
X2	.127	1,000	.158	.767
X3	.202	.158	1,000	.464
Y	.538	.767	.464	1

Source: 2022 data processing results

- c. The calculation results for the PYXi path coefficient, (i=1,2,3) in detail can be shown in the following table:

Table 4.2 PyXi Path Coefficient

Path coefficient X1 to Y (Py.x1)	0.396
Path coefficient X2 to Y (Py.x2)	0.673
Path coefficient X3 to Y (Py.x3)	0.278

Source: Results of 2022 data processing

- d. The calculation results for the coefficient of multiple determination (R²_{Y.X1X2X3}; Multiple Correlation Coefficient (R_{Y.X1X2X3}); the coefficient of determination of other variables to Y (P²_{y.ε}) and the path coefficient of other variables to Y (Py.ε) in detail can be shown in the following table :

Table 4.3 Coefficient of Determination and Path of Other Variables Against Y

Coefficient of Multiple Determination R ² _{y,X1,X2, X3} ,	0.858
Coefficient of Determination Var. Outside Against Y P ² _{Y,ε}	0.142
Outer Variable Path Coefficient Against Y Py,ε	0.377

Source: Results of 2022 data processing

- e. Based on the calculation results shown in the table above, the path coefficients of the variables X1, X2, X3, as well as external variables to the Y variable in this study can be described as follows:

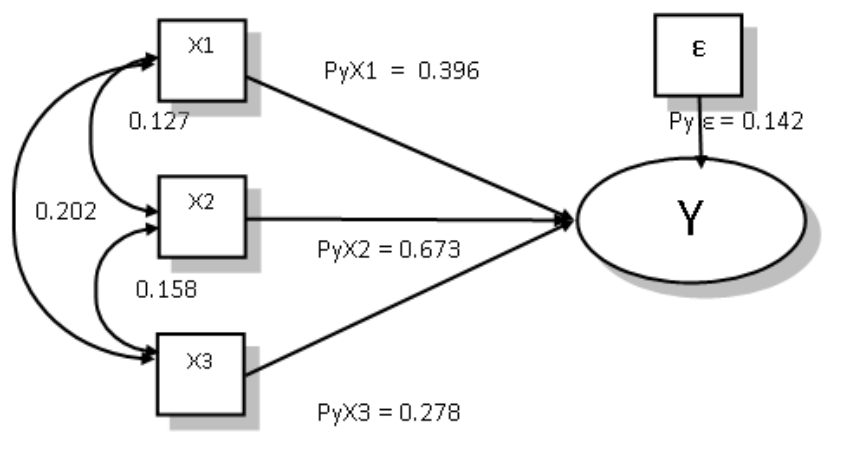


Figure 4.1 Variable Path Structure X Against Y

From the picture above shows that the correlational relationship between Capital Loans (X1) and Digital Payment Services (X2) is 0.127, this result shows that there is a positive correlation with a very low category, the correlational relationship between Capital Loans (X1) and Financial Arrangements (X3) is 0.202, these results indicate that there is a positive correlation with the very low category, Digital Payment Services (X2) with Financial Arrangements (X3) of 0.158, these results indicate that there is a positive correlation with the very low category. Then the Capital Loan variable (X1) has a path coefficient on the financial performance variable (Y) of 0.396; Digital Payment Service variable (X2) has a path coefficient to financial performance variable (Y) of 0.673.

1)4.2. Hypothesis Test

From the results of statistical analysis, it can be seen the magnitude of the influence of the independent variable on the dependent variable and the significance test is significant, in the following table:

Table 4.4 Structure of Direct and Indirect Influence Variable X Against Y

Variable	Influence		Indirect Influence, Through						Total
	Direct		X1	X2	X3				
X1	39.6%	+		+		+		+	39.6%
X2	67.3%	+		+		+		+	67.3%
X3	27.8%	+		+		+		+	27.8%
Effect of variables X1, X2, X3,									85.8%
Effect of External Variables									14.2%
TOTAL									100.00

Source: Results of 2022 data processing

From the table above, it can be explained that the Effect of Financial Technology (Fintech) on the Financial Performance of Boutique SMEs in Gorontalo City can be explained by a model of 85.8%, which consists of a capital loan variable (X1) of 39.6%, a Digital Payment Service variable (X2) of 67.3%, Financial Management (X3) of 27.8%, and there are external variables or other models that also influence but are not examined by 14.2%.

Thus, it can be concluded that the magnitude of the coefficient of determination (R²Y.X1X2X3) or the close causal relationship between X and Y is 85.8%; meaning that financial performance can be simultaneously explained by the model, referring to the total coefficient of determination (R²Y.X1X2X3) or the closeness of the relationship of 85.8%, it can be categorized that variable X has a "Very High" level of influence on variable Y (based on the interpretation of Guilford, 1956:145).

Meanwhile, to test the proposed hypothesis as described in the previous sub-chapter, it is possible to test the significance of the significance. From the results of hypothesis testing, it can be seen in the following table:

Table 4.5 Test the Significance of Variables Against Y

Effect Between Variables	Sig Value	Alpha(α)	Decision
Y←X1, X2, X3,	0.000	0.05	Significant
Y←X1	0.000	0.05	Significant
Y←X2	0.000	0.05	Significant
Y←X3	0.000	0.05	Significant

Description: If the value of Sig < Alpha value (), then it is significant.

Source: The results of the 2022 data processing, with the SPSS program

From the table above, it can be explained that the Financial Technology variable can simultaneously be explained by a model consisting of capital loans, digital

payment services, financial management services, because the value of sig ($Y \leftarrow X1, X2, X3$) < alpha value (α) (0.000 < 0.05). The capital loan variable (X1) partially has a significant effect on the financial performance variable (Y), because the value of sig ($Y \leftarrow X1$) > alpha value (α) (0.000 < 0.05). The digital payment service variable (X2) partially has a significant effect on the financial performance variable (Y), because the value of sig ($Y \leftarrow X2$) < alpha value (α) (0.000 < 0.05). The financial regulation service variable (X3) partially has a significant effect on the financial performance variable (Y), because the value of sig ($Y \leftarrow X3$) < alpha value (α) (0.000 < 0.05).

4.3. Discussion

This study shows that financial technology has an influence on the financial performance of boutique SMEs in Gorontalo City. This is because the application of financial technology to MSME Boutiques in Gorontalo City has been going well, although there are still some functions that have not been fully implemented. Financial technology helps MSMEs to get convenience and efficiency in the financial area. The services provided by fintech allow MSME actors to access financial services such as payments, money transfers, applying for loans and other economic activities. The existence of financial technology for boutique MSMEs in Gorontalo City can help and improve business performance such as transaction speed, ease of payment, ease of financial and goods supervision and ease of communication with consumers. The many features of fintech applications can help boutique SMEs in improving their financial performance. The use of fintech is important for boutique SMEs in Gorontalo City. This indicates that financial technology is a factor in influencing the financial performance of boutique SMEs in Gorontalo City.

Financial technology very influential on the financial performance of SMEs, where financial technology is an innovation that is considered capable of increasing the market share of SMEs. Financial technology in the form of capital loans, digital payment services, and financial management services can help MSMEs in providing convenience and efficiency in terms of technology-based financial management including digitizing financial reports, payment technology and online-based loans. If MSME actors use and utilize technology as well as possible, they can maximize profits. With large profits, it will be easier to improve the performance of MSMEs themselves.

MSMEs need financial technology to improve the performance and quality of the products they produce. Financial technology can be a big capital to help SMEs in minimizing risks that occur in management or decision making in order to improve financial performance. Financial technology helps and provides convenience in transactions for MSME actors and is able to increase business income and market their products directly without intermediaries, both online and offline by means of payment by transfer, so that more profits or profits are obtained. This indicates that financial technology has a positive influence on the financial performance of MSMEs.

The role of financial technology is not only limited to financing business capital but also in various aspects such as digital payment services as well as financial regulators. The ability of boutique businesses in Gorontalo City to continue to be improved in accessing financial technology services, especially in its application, because this is a driving factor in improving the financial performance of MSMEs.

The research findings prove that financial technology has a positive and significant effect on financial performance at boutique SMEs in Gorontalo City so that the proposed hypothesis is accepted. However, the research findings also confirm the influence of other variables that also affect the financial performance of boutique MSMEs in Gorontalo City such as financial literacy and financial inclusion as stated by Alamsyah Fuad (2020); Yulia (2019) financial literacy has a significant impact on

financial performance, as well as findings (Trianto, 2021);Septiani & Wuryani (2020)that financial inclusion has a significant impact on financial performance.

5. Conclusions And Suggestions

Based on the results of the study, it can be concluded that *Financial Technology* in the form of Capital Loans, Digital Payment Services, and Financial Management Services simultaneously have a positive and significant impact on the Financial Performance of Boutique SMEs in Gorontalo City, including the very high category. The suggestions given based on the findings in this study is So that the financial performance of boutique SMEs can be further improved by making more use of financial regulatory services through financial technology in the form of administrative management and financial reporting, using financial consulting using financial technology because in this study it was found that the effect was low due to MSME managers still having doubts about these services.

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