THE ROLE OF FINTECH AND E-COMMERCE IN THE DEVELOPMENT OF MSMES

Sarah Fitria Harahap[1*], Isnaini Harahap[2], Windu Anggara[3]

[*1, 2, 3]Universitas Islam Negeri Sumatera Utara, Indonesia
[*1]*email: sarah3004233007@uinsu.ac.id*

Abstract: The development of technology, especially fintech and e-commerce, has had a significant impact on Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. The background of this study focuses on the great potential of MSMEs in the national economy, but still faces challenges in access to financial services and marketing. The purpose of this study is to explore the role of fintech and e-commerce in increasing efficiency, expanding market reach, and supporting the growth of MSMEs. The method used is qualitative research with a literature study approach, collecting data from various related sources. The results of the study show that fintech facilitates access to financial services and digital transactions, while e-commerce allows MSMEs to reach consumers more widely. The synergy between these two sectors not only increases the competitiveness of MSMEs but also contributes to national economic growth. However, MSME actors need to overcome challenges such as competition and transaction security to maximize their potential.

Keywords: Fintech, E-Commerce, MSMEs.

Introduction

Micro, Small and Medium Enterprises (MSMEs) are a business sector that has enormous potential. According to the latest data from the Ministry of Cooperatives and SMEs, the number of MSMEs in Indonesia in 2024 will reach more than 65 million units. These MSMEs are spread across various sectors, including culinary, fashion, handicrafts, and digital technology (Dwitri Waluyo, 2024). MSMEs in Indonesia play a very important role in the national economy, especially in terms of labor absorption, which reaches 97% or around 117 million workers. This figure makes Indonesia the country with the highest level of MSME labor absorption in the world, far surpassing Thailand which is in second place with 85.5%. In the opening of the BRI Microfinance Outlook 2024, President Joko Widodo emphasized that MSMEs not only have a major impact on the workforce, but also make a significant contribution to Gross Domestic Product (GDP), which is 61% or 8,573.89 trillion rupiah.

This contribution makes MSMEs one of the types of businesses that have the potential to increase income in the Indonesian economy. Although it has a positive impact on the economy, there are still a number of obstacles that hinder MSME income, so that the increase is not optimal and remains in the middle class income category (Fitroh, 2021). In addition, it is undeniable that the current economy is also influenced by technological developments. The presence of technology has a significant impact on MSMEs, which must adapt to these changes. This condition encourages MSME actors to innovate in order to increase income, escape the middle-class income trap, and make MSME income an indicator of economic progress.

In today's digital era, the Indonesian economic sector, which is dominated by MSMEs, is increasingly adapting to online-based transactions through e-commerce platforms, which are the main drivers of digital transformation. The rapid development of e-commerce has not only changed people's consumption patterns, but also expanded opportunities for MSMEs to reach a wider market. At the same time, financial technology (fintech) also plays an important role by providing technology-based financial services, such as digital payments, e-money, and e-wallets, which support smooth transactions and facilitate financial recording. (Pemana et al, 2021). The synergy between e-commerce and fintech not only increases the efficiency of the payment system, but also provides wider access to funding solutions, thereby accelerating the growth of the digital economy and encouraging MSMEs to grow in a more modern and advanced direction.

The role of fintech and e-commerce is increasingly important in supporting the development of MSMEs in Indonesia, especially along with the rapid advancement of technology. Although technology opens up great opportunities, there are still challenges in its implementation and utilization that need to be overcome. This study aims to explore more deeply how these two sectors can increase efficiency, expand market reach, and make the business environment for MSMEs easier. By utilizing technology, especially fintech and e-commerce, MSMEs can increase their competitiveness, both domestically and in the international market.

Literature Review

1. Financial Technology (Fintech)

In an effort to provide services to the public, the use of computers has become commonplace. Computers now play an important role in the financial sector. The term Fintech, which is a combination of financial management and technology, refers to a system that integrates technology into financial management. Fintech is gaining more attention because this service offers various features that facilitate financial aspects, such as those used in cooperatives, banking, and insurance (Winarto, 2020).

Fintech is a digital financial business sector that offers financial services by utilizing the latest software and technology. Fintech operates in various areas, such as payments, transfers, and stock trading. Fintech services simplify financial transactions, making them more practical and efficient, with the aim of optimizing the use of technology in accelerating the financial service process (Mudrikah, 2021). Bank Indonesia divides Fintech into four categories: 1) Peer-to-peer (P2P) lending or funding fintech; 2) Crowdfunding; 3) Payment, clearing, and settlement, which includes payment gateways and digital wallets; 4) Market aggregator, which contains financial tips, information, investments, and credit cards (Setyaningsih et al., 2019).

2. E-Commerce

E-commerce is a term used to mean transactions of goods or services through information technology. In general, e-commerce has changed the way traditional buying and selling transactions require both parties to meet in one place and time. With e-commerce, the transaction process becomes easier and more efficient, because buyers and sellers do not need to be in the same location or meet face to face, but use information technology connected to the internet (Silalahi et al., 2022).

E-commerce has several distinctive characteristics, including borderless transactions, anonymous transactions, digital and non-digital products, and intangible products such as data, software, or ideas that can be traded over the internet. E-commerce is divided into five categories, namely Business-to-Business (B2B), Business-to-Consumer (B2C), Consumer-to-Consumer (C2C), Peer-to-Peer (P2P), and Mobile Commerce (m-commerce). In the market mechanism, e-commerce involves several components, such as customers, sellers, products, infrastructure, front end, back end, intermediaries, other business partners, and support services. (Kamil & Miranda, 2024).

3. Micro, Small, and Medium Enterprises (MSMEs)

Micro, Small, and Medium Enterprises, or MSMEs for short, are small to medium-sized companies based on their revenue, assets, and workforce. Although the definition of MSMEs varies from country to country, they usually conform to certain standards. Indonesians have a strong preference for micro and small enterprises. These companies are usually run by family members, do not have a formal corporate structure, use basic technology, and utilize resources around them (Munizu et al., 2023).

Micro and small enterprises are often classified as the informal sector, underground economy, or extralegal sector, but they have a significant impact on national economies. The term "informal sector" began to be used in the 1970s and was introduced by Hart, a social anthropologist, to describe businesses without legal status. Breman defines the informal sector as an unorganized, unregistered, though largely legal, sector with lower productivity than the modern urban sector, which is often inaccessible to the poor (Harahap & Tambunan, 2022).

Method

This research is included in the category of qualitative research using the literature study methodology. Literature research is a scientific procedure that involves collecting data or information from various sources, including books, journals, articles, and other publications. This research also helps researchers in managing literature, which stores various written data and facts. This data can be used as a basis for providing solutions to research problems.

Result and Discussion

The development of technology has a positive impact on economic progress, FinTech is one of the solutions to access financial services practically, efficiently, conveniently, and affordably. The presence of FinTech affects the lifestyle of the economic community, where the combination of efficiency and technology provides significant benefits for many people. In MSMEs itself, Fintech plays a role as a driver of digital financial transformation, with its financial services making it easier for people to make financial transactions digitally without having to rely on conventional financial institutions such as financial institutions or banks (Fandiyanto et al., 2024).

E-commerce is also one form of rapid technological development that has significantly changed the business world, especially in terms of transactions and interactions between business actors and consumers. By utilizing digital platforms, e-commerce provides a great opportunity for MSMEs to expand their market reach, not only locally but also internationally, allowing them to access wider consumers.

In research conducted by Tufrida and Daniel (2022), stated that Fintech and e-commerce have a very important role in improving the financial performance of MSMEs. With fintech, business actors can access financial services digitally, which simplifies the payment process, financial management, and speeds up transactions. In addition, e-commerce allows MSMEs to expand their market, reach wider consumers, and improve operational efficiency.

In research conducted by Rizky, Raina and Dede (2023), stated that fintech plays a very important role in the development of MSMEs during the economic recovery period in Indonesia after the Covid-19 pandemic. Fintech is here to provide convenience and efficiency in financial services and help small businesses that want to grow. The role of fintech in the development of MSMEs in Indonesia is very large, including as a financial financing service, opening up new jobs, and facilitating transaction activities without using cash.

In research conducted by Sadrakh, Shasabila and Yabes, (2023), stated that e-commerce has a significant role in the economic growth of MSMEs. Its use can increase revenue, improve marketing, save operational costs because it does not require a physical store, and facilitate transactions. However, e-commerce also brings challenges, such as increased competition, potential theft of ideas and goods, and fraud triggered by technological advances.

In research conducted by Qarry (2023), stated that E-commerce plays a vital role in expanding the marketing of MSME products, allowing them to reach the global market without geographical limitations. This increases product accessibility and expands the customer base. To be successful, MSMEs need to make maximum use of e-commerce platforms, pay attention to transaction security, strengthen marketing strategies, and create good customer experiences. In addition, they must continue to update their knowledge of e-commerce technology, build a solid reputation, and focus on providing added value to consumers to increase competitiveness in the growing digital market.

In research conducted by Muh. Yushar, Nurafni and Benny (2024), stated that the development of financial technology, such as fintech and payment gateway services, has contributed significantly to the progress of MSMEs in Indonesia, especially in Makassar. With various digital payment methods, such as QRIS and Virtual Bank Accounts, MSMEs can increase flexibility, marketing efficiency, and expand product reach. A practical, fast, transparent, and secure transaction process not only supports MSME performance but also drives national economic growth.

Conclusion

The role of fintech and e-commerce in the development of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia is very important and complementary. Fintech provides easy access for MSMEs to obtain financial services and conduct transactions digitally, which increases operational efficiency and speeds up the transaction process. Meanwhile, e-commerce allows MSMEs to significantly expand their market reach, reach consumers locally and internationally, and reduce dependence on physical stores. Despite the many opportunities offered, MSMEs also face challenges such as intense competition and the risk of fraud in the digital world. Therefore, it is important for MSME players to adopt technology wisely, develop effective marketing strategies, and ensure transaction security. By utilizing the synergy between fintech and e-commerce, MSMEs can increase their competitiveness and contribution to the national economy, and achieve sustainable growth in the global market.

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