

THE ROLE OF FINANCIAL TECHNOLOGY (FINTECH) IN RESHAPING SMALL AND MEDIUM ENTERPRISES (SMEs)

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ABSTRACT

The development of financial technology (FinTech), which offers novel approaches to addressing the traditional financial challenges, is having an effect on small and medium-sized businesses (SMEs), which are a subset of the business sector. Learn about the ways in which FinTech is reshaping the landscape for small and medium-sized businesses (SMEs) in terms of access to services, administration of transactions, and strategic decision-making about financial matters. Technologies such as digital payments, peer-to-peer lending, blockchain, and artificial intelligence have made it feasible to improve cash flow management, reduce costs, and increase financial inclusion. These are all conceivable outcomes. The automation of financial operations, the development of payment methods that are both speedier and safer, and the improvement of access to financing have all contributed to the increased financial flexibility, scalability, and efficiency of small and medium-sized businesses (SMEs) in today's world. Furthermore, via the use of FinTech platforms, opportunities are being made available to small and medium-sized businesses (SMEs) to get access to foreign markets, streamline financial procedures, and foster innovation. Although there is a great deal of power available to small and medium-sized businesses (SMEs) in the field of financial technology, there are also a great deal of impediments to adoption, such as restrictions and worries around cybersecurity. In this article, we look into the relevance of financial technology (FinTech) in enabling small and medium-sized firms (SMEs). We highlight the benefits that FinTech provides and investigate how it is impacting the trajectory of SMEs in our modern world, which is driven by digital technology.

Keywords: financial technology, fintech, small and medium enterprises (SMEs), developing countries.

INTRODUCTION

MSME

Over the course of the last several years, India's micro, small, and medium-sized companies (MSME) have gradually developed into a formidable economic force. Micro, small, and medium-sized companies (also known as MSMEs) are very important since they generate a greater number of employment at lower prices than large corporations. The contributions that small and medium-sized businesses (SME) make to the advancement of the nation's economy and society are significant, and they serve a vital supporting role in big industries.

According to the MSMED Act of 2006, micro, small, and medium-sized companies (MSMEs) are now classified into several categories based on whether or not they invest in plant and machinery for manufacturing units or equipment for service activities. In February of 2018, the Union Cabinet gave its approval for the transition from "investment in plant and machinery/equipment" to "annual turnover" as the basis for classifying micro, small, and medium-sized businesses. The alteration is being made with the intention of facilitating simpler collection, promoting growth-oriented classification standards, and making it more convenient to do business.

Fintech Technology

A "fintech company" is any organisation that uses technology to automate, enhance, or modify financial services for consumers or other businesses. This may be done for the benefit of clients or other businesses. Applications such as Robinhood and Wealthfront provide automated portfolio management, while mobile banking and peer-to-peer payment services such as Venmo and CashApp make it possible for individuals to do transactions with one another personally. In addition, the production of digital money and its trading are two more possible areas of use.

The concept that underpins the subject of financial technology (fintech) has been around for quite some time, despite the fact that it is a relatively young field. Credit cards, which were introduced in the 1950s and rendered the use of physical currency obsolete for the majority of people, were the first financial technology products that were widely available to the public. In later years, online stock trading services and mainframes used by banks made their way into the realm of fintech. The establishment of PayPal in 1998 was a pivotal milestone in the history of the financial technology sector. This was due to the fact that PayPal was one of the first companies to exclusively concentrate on the internet. Since then, this groundbreaking innovation has undergone further transformations as a result of the proliferation of mobile devices, social media, and data encryption. This financial revolution has resulted in the creation of a number of products, including mobile payment apps, blockchain networks, and payment solutions that are embedded inside social media.

In spite of the intricacy of the notion, it is possible to get a good understanding of fintech. The use of financial technology helps to simplify and reduce the costs associated with conducting financial transactions for both consumers and businesses. It is also possible to apply it to companies and services that make use of encrypted blockchain technology, big data, and artificial intelligence in order to facilitate very secure transactions inside an internal network.

The primary objective of financial technology is to streamline and speed up the process of conducting financial transactions by eliminating any intermediate steps that are unnecessary or unnecessary. One example is the ease of use provided by mobile payment applications such as Venmo and CashApp, which allow you to transfer money to the bank account of another individual anytime you want, regardless of the time of day or night. On the other hand, if you opt to pay with cash or a check, the recipient will be required to go to the bank in order to deposit the monies.

The rapid growth of Indonesia's digital sector has coincided with the proliferation of a large number of new start-up companies. In recent times, the popularity of startups has skyrocketed in Indonesia. As a result of the achievements of well-established companies such as Gojek, BukaLapak, or Traveloka, there

has been a great deal of enthusiasm around the emergence of new firms. Additionally, the general public may discover a multitude of new suppliers of financial services among the various start-ups that are operating in this sector. New financial innovations have developed from existing financial institutions, which may support more constructive types of economic growth.

This is in addition to the fact that these innovations have emerged. The financial sector is one sector that is now seeing the consequences of technological improvements. One may even go so far as to argue that technology has found its way into the world of finance. It is possible that the financial sector will be brought into the digital era as a result of the rapid improvement that is taking place. When referring to the junction of technology and the financial sector, the term "fintech" is something that is often used. There is a growing sense of hope that the introduction of financial technology may lead to an improvement in people's level of life. Several projects have been financed by the Indonesian government with the intention of providing micro, small, and medium-sized firms (MSMEs) with access to capital via a variety of financial institutions. These institutions include banks as well as cooperatives that offer savings and loans. Fintech is also being developed to facilitate services for micro, small, and medium-sized enterprises (MSMEs), with the intention of boosting the overall assets of the institution.

A disruptive environment will be created as a result of the application of financial technology, which is in line with the lightning-fast rate of technical and digital progress. As a consequence of this scenario, it is anticipated that a great number of changes will be seen or experienced in the near future. As an example, the manner in which we make use of financial products and services, carry out financial transactions, and look for finance for economic activity are all likely to experience some modifications. The dynamic character of the business puts the financial sector under ongoing pressure to change and enhance its operating processes.

This pressure is a direct result of the industry's dynamic nature. The potential for disruption to our economy and financial system exists in the event that these dynamics and developments are not managed in an acceptable manner. Particularly impacted are micro, small, and medium-sized businesses (MSMEs) who encounter challenges when attempting to get financial assistance. In spite of the fact that fintech and digital financial services are playing an ever-increasing role in the economy, stability should continue to be the most important topic of discussion. Consequently, we need approaches and innovations in order to guarantee that these dynamics will not result in any unanticipated effects. Fintech makes it possible for micro, small, and medium-sized businesses (MSMEs) to simplify and streamline their financial processes.

There is a wide variety of funding choices available via fintech, which is especially beneficial for small and medium-sized businesses that are expanding. There is an expectation of more inclusive advancements in fintech. This research will analyse the role that financial technology plays in micro, small, and medium-sized businesses (MSMEs) due to the many ways in which applications of financial technology influence the expansion of these businesses.

OBJECTIVES

1. To Expand the Financial Inclusion for SMEs
2. To Streamline Financial Management and Operational Processes

The Role of Fintech in MSME Financial Inclusion

Whenever it comes to the difficulties that micro, small, and medium-sized businesses (MSMEs) face, such as restricted access, the financial technology industry is always coming up with new solutions. An illustration of this would be the creation of goods that are more adaptive. There are a number of ways in which financial technology is creating the framework for speedier financial services. These include, among other things, enhancements to the customer experience, simpler digital identity verification, data sharing, collaborative consumer due diligence, and payment methods. Additionally, it results in an increase in the availability of financial services that are also more affordable. The participation percentage in Central Java grew to 66.23% in 2019, the most it had been since the previous OJK survey year, when it had dropped to 12.33%. According to the results of the survey and the interviews, the following is the role that Fintech plays in making the concept of financial inclusion for micro, small, and medium-sized enterprises (MSME) a reality:

Assist MSMEs in obtaining business funding

Prior to the development of financial technology, the only way for small and medium-sized businesses (SMEs) to get operating capital was via formal loans from financial institutions. The process of obtaining a loan from a financial institution often includes negotiating complicated legislation and coping with interest rates that are rather high. A definition of small and medium-sized enterprises (SMEs) was changed in 2008 from Law No. 9 of 1999 to Article 1 of Law No. 20, which controls Micro, Small, and Medium Enterprises. This change was made in response to the developing environment, which is always changing. Continue to read:

1. This piece of law acknowledges as productive organisations either micro-enterprises established in the private sector or community-based organisations that satisfy specified standards. Microbusinesses are defined as those that do not meet the yearly revenue limit of Rp300,000,000.00 (three hundred million rupiah) or the net worth ceiling of Rp50,000,000.00 (fifty million rupiah), with the exception of those that own commercial property and structures.
2. Micro, small, and medium-sized enterprises (MSMEs) are defined as businesses that are profitable and self-sufficient, but do not belong to a bigger corporation and are neither subsidiaries nor affiliates of a larger organisation. Additionally, MSMEs must fulfil the legal definition of a small business. Companies that are considered to be "small businesses" are the ones that are required to fulfil the requirements that are outlined in the following paragraphs. It is necessary to have net assets that do not include property and structures and that fall between the range of fifty million to five hundred million rupiah in order to be eligible for consideration for the specified category. Businesses that are subject to this rule are those that either have a physical location or have annual sales that are more than Rp300,000,000.00 but less than Rp2,500,000,000.00.
3. Micro, small, and medium-sized companies, also known as MSMEs, are self-sufficient organisations or individuals that are able to manage their activities without the assistance of outside finance. Their annual or net sales are established by the law, and they are not affiliated with, owned by, or controlled by any commercial enterprise, regardless of their size. It is necessary for a medium-sized firm to fulfil the following requirements: It is necessary to have a net worth that is at least Rp500,000,000,000.00 and no more than Rp10,000,000,000,000.00 in order to be qualified for the criteria that was specified before. You also have the option of achieving annual sales

revenues of at least Rp2,500,000,000.00 without the requirement of Rp50,000,000,000. The Micro, Small, and Medium Enterprises Law No. 20 of 2008 in Indonesia is the subject of this citation since it was passed in 2008.

MSMEs Contribute to Financial Inclusion

Adaptive and better solutions to the challenges that micro, small, and medium-sized enterprises (MSMEs) face, such as accessibility, are continuously being developed via the use of fintech. In addition, fintech makes it simpler to exchange data, conduct collaborative due diligence on consumers, simplify the authentication of digital identities, promote customer engagement and adoption, and bring about improvements in the quality of services provided to clients. Furthermore, it enhances the availability of financial services and makes them more affordable. Among the things that we are laying out are efficient means of processing payments. Central Java's coverage rate increased dramatically from 12.33% in the OJK census in 2018 to 66.23% in 2019. This is a huge increase. How fintech has contributed to the achievement of financial inclusion is as follows:

1. As a result of the development of fintech, a broad variety of financial services are now accessible to an entire population.
2. It is possible to get in touch with all of the MSMEs located in rural areas.
3. Through the use of fintech, access to financial institutions is simplified and made more readily available.
4. Fintech is a significant contributor to the growth of small and medium-sized businesses (SMEs) as well as the economy of the local community.

SME Strategies To Overcome Challenges In Adopting Fintech

There are times when the adoption of financial technology (FinTech) is not a smooth sailing experience for small and medium-sized enterprises (SMEs). Inadequate resources and a general lack of awareness on technology are examples of issues that often arise. One of the most essential things that small and medium-sized enterprises (SMEs) can do is strive to improve the level of digital literacy among their employees and owners. Participation in training and seminars that give a full understanding of the technology and its benefits may help small and medium-sized businesses (SMEs) build confidence in their use of financial technology (FinTech).

In today's competitive business environment, having a working knowledge of digital technology not only helps with the utilisation of financial tools, but it also encourages creative thinking and the ability to find solutions to problems. Another option available to small and medium-sized enterprises (SMEs) is to form strategic partnerships with service providers in the financial technology industry. Small and medium-sized enterprises (SMEs) are able to be provided with instant access to cutting-edge tools and the required technical help as a result of this relationship. For the purpose of assisting small and medium-sized businesses (SMEs) in grasping and effectively implementing financial solutions, financial technology firms often provide specialised programs that are geared to meet the needs of SMEs.

These programs typically comprise consulting and training services. Small and medium-sized enterprises (SMEs) may be able to reduce the risks associated with adopting new technology and speed up the process of integrating it by using these alliances. In addition, small and medium-sized enterprises (SMEs) have the opportunity to progressively integrate FinTech into their operations. It may be possible for small and medium-sized businesses (SMEs) to ease into change by deploying a few FinTech solutions that solve the most urgent concerns that they are now facing. For instance, they may start with a simple digital payment system and gradually progress to more complex solutions like as data analytics or financial management. Their progression might be gradual.

When things are done slowly, small and medium-sized enterprises (SMEs) have more time to adjust to the changes and more accurate evaluations of the impact that technology has. Another issue that should be taken into consideration is the relevance of the assistance provided by stakeholders, notably at the level of governments and financial institutions. Two examples of policies that small and medium-sized enterprises (SMEs) might advocate for in order to stimulate the use of financial technology are tax incentives and subsidies for technological training.

Additionally, governments have the ability to offer a hand by making relevant data and resources accessible, such as support programs for small and medium-sized businesses (SMEs) that are transitioning to digital technologies. Through active participation in contact with various stakeholders, the ecosystem of financial technology may be reinforced, and everyone involved may stand to benefit from this initiative. A culture of innovation that accepts and embraces new technologies with open arms is something that small and medium-sized enterprises (SMEs) need to cultivate. By creating a working atmosphere that encourages experimentation and learning, small and medium-sized businesses (SMEs) may be able to entice teams to study FinTech solutions that have the potential to improve operational efficiency. It is possible that the whole organisation may be inspired to adapt to the present state of things if workers who take the initiative to adopt new technology are recognised and offered rewards for their efforts. In conclusion, it is essential for small and medium-sized businesses (SMEs) to regularly evaluate and monitor the success of the FinTech solutions they have implemented.

To ascertain if the technology that has been implemented is generating the anticipated results, small and medium-sized enterprises (SMEs) may request the views of their employees and investigate performance indicators. It is possible for small and medium-sized businesses (SMEs) to make use of this evaluation in order to determine what actions to do next: increase their use of FinTech, abandon solutions that are unsuccessful, or investigate new innovations. If small and medium-sized enterprises (SMEs) approach the use of financial technology (FinTech) with a strategic and well-thought-out strategy, it has the potential to enhance their competitiveness and commercial growth.

CONCLUSION

One of the primary objectives of the research was to investigate the extent to which the availability of financial technology services has an impact on the expansion of capital for micro, small, and medium-sized businesses (MSME). According to research that was carried out on the subject, the influence of financial technology on the expansion of micro, small, and medium-sized enterprise (MSME) capital in the weaving sector of Denpasar City is positive. When it comes to capital development, the micro, small, and medium-sized firms (MSMEs) might potentially benefit from greater access to financial technology,

which would increase their capital development. As a result of the positive impact that the services and product selection assistance provided by financial technology companies have had, the services that are provided have become essential for the expansion of capital for micro, small, and medium size businesses (MSMEs). delivering assistance to micro, small, and medium-sized businesses (MSMEs) in the process of constructing their capital is an essential component of delivering service. Fintech would play a more significant role in the expansion of capital for micro, small, and medium-sized enterprises (MSME) if more services were made available to MSME entrepreneurs. This would encourage MSME businesses to embrace fintech. The greater the quality of the services that are provided, the more brand loyalty there will be among the clients. In addition to the services they provide, it is anticipated that fintech companies would expand their assistance to micro, small, and medium-sized enterprises (MSMEs). Assistance is offered in order to allow better management of the capital growth of micro, small, and medium-sized enterprises (MSME). offering customers with correct information and assisting them in understanding their financing and credit alternatives are two examples of the many sorts of support that are available. One type of assistance is offering advice on loans and capital. As a result of technical improvements, the UMKM ought to be able to make advantage of the facilities provided by fintech companies with ease, which may result in an increase in corporate capital.

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