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## Digital Finance Influence For MSMEs in Indonesia

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### ABSTRACT

*This article discusses the impact of digital finance on Micro, Small and Medium Enterprises (MSMEs) in Indonesia. With a qualitative approach, this article emphasizes the literature study method. This article aims to provide information related to how digital finance affects MSMEs in Indonesia. Based on the results of research conducted, the existence of digital finance has a significant impact on MSMEs in Indonesia, because digital finance provides several benefits including being able to save time, minimize errors in calculations, data and information security will be more secure, and can facilitate business financial management.*

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## 1. INTRODUCTION

MSMEs in Indonesia have an important role for the Indonesian economy. Currently, MSMEs are one of the alternative new employment opportunities to reduce the impact of unemployment in Indonesia. In addition, MSMEs also play an important role in encouraging Indonesia's economic growth. This is based on the large contribution given by MSMEs to regional income and Indonesian state income [1]. Micro, Small, and Medium Enterprises or commonly referred to as MSMEs are trading businesses managed by business entities or individuals referring to productive economic enterprises in accordance with the criteria stipulated by Law Number 20 of 2008. Based on Law Number 20 of 2008 Regarding Micro, Small and Medium Enterprises (MSMEs), the government classifies business types based on asset and turnover criteria. The World Bank defines MSMEs according to three classifications, namely based on employee conditions, income, and asset value.

MSMEs are closely related to financial problems. Finance is a sensitive matter, if not managed properly it will be fatal. Likewise for the MSME group, a business requires a concept of good financial governance and management so that the business runs according to the financial targets to be achieved. According to the Big Indonesian Dictionary, governance means rules, arrangements, or ways of arranging. While financial management is the activity of planning, managing, storing, and controlling funds and assets owned by a company. Financial managers must be carefully planned so that problems do not arise in the future. Finance is a specific functional area found in the business administration major or can be defined as the management of the flow of money within

a company. So it is clear that finance is related to the flow of money as well as payment obligations. This financial governance and management can be applied to MSME groups so that their finances can be organized and have a better and growing business [3].

To make it easier to record financials and make the reach of MSMEs wider, digital finance is needed. The definition of digital finance itself is payment and financial services that use cellular or web digital technology facilities through third parties. These third parties are individuals or the general public. Not an employee of a bank institution, and has obtained official permission to open a branch of a digital financial institution. The purpose of establishing this digital finance is to develop financial inclusion for the Indonesian people, and also to support the effective distribution of aid funds from the government. In addition, digital finance is also useful for helping people who have never been in direct contact with banks, and can serve basic banking operations such as opening electronic money accounts, depositing cash, or withdrawing cash.

According to the records of the Ministry of Cooperatives and SMEs, currently there are 10.25 million MSME players who have been connected to digital platforms. In other words, there are already 16 percent or around 10.25 MSME actors who are connected to the digital ecosystem. This is due to the many MSME digitization programs that are continuously held by the Ministry of SMEs and Cooperatives. It should be noted that the digitization program is the most important part of the transformation program of the Ministry of MSMEs and cooperatives. Moreover, people's consumption patterns have changed as a result of the global pandemic. The excess trend of digitizing MSMEs has become a new habit for the community until the future [2].

## 2. METODE

This article with the title "The Influence of Digital Finance for MSMEs in Indonesia" uses a qualitative literature study method. Qualitative research method is a research method that is descriptive in nature, uses analysis, refers to data, utilizes existing theories as supporting material, and produces a theory.

## 3. RESULT AND DISCUSS

Based on the results of the literacy review conducted, the existence of digital finance is very much needed by Micro, Small, and Medium Enterprises (MSMEs) due to increasingly advanced technological developments. For this reason, there is a need for digital development in MSMEs, including digital finance.

It is undeniable that nowadays everything related to the digital world makes it easier for its users. Some of the benefits of digital finance include :

a. Saving time

Through financial applications as mentioned above, MSMEs can quickly make financial reports. By using the application, work such as management, monitoring and control can be done easily because it is regulated by a structured system. Unlike doing it manually which can take weeks, the process of using the application will take a short time.

b. Avoid counting errors

Because it is done in a structured manner by the online cashier system, of course, even with the large number of transactions by customers, it will not be a problem. With a system that has been set up, you will avoid mistakes such as calculating the price of goods.

Besides that, making reports will be easier, not done by many people, it will cut the occurrence of miscalculation of financial statements so that reports are more accurate.

c. Security of data and information is more guaranteed

If you already use a digital device system such as online accounting, the data contained in your business will be more secure and protected. In addition, there are other advantages such as data that can be viewed anywhere and anytime.

d. Easier financial management

Unlike accounting systems that are still manual, by using digital devices that only require an internet connection, you can create budgets, financial reports, and data storage without the need to involve many people. That way the financial condition will be more stable by knowing the company's profits and expenses.

e. Maintain business assets

Another benefit is being able to maintain the business assets that you already have because everything is neatly recorded in the cloud and as much as possible will receive the latest updates from the assets owned. With this information, the owner can also allocate assets and determine long-term plans for the assets he already owns.

f. Multi branch

Using a digital financial application system allows you to manage finances that have many branches in one software. Of course, this will be more attractive and facilitate the company's financial management system.

From the various benefits of digital finance above, it can be seen that the existence of digital finance has a positive influence on MSME actors. This should be a motivation for MSMEs to continue to advance their business and try to be able to follow the flow so that their business is not left behind and is able to survive in the long term. Because not only marketing techniques need to be done digitally. However, the financial records also need to be recorded digitally with the aim of making it easier for MSME actors.

#### 4. CONCLUSION

From the data that has been obtained, it can be concluded that Micro, Small and Medium Enterprises (MSMEs) are in dire need of digital finance which can later facilitate the financial recording system carried out by MSMEs themselves. Digital finance can be proof that MSMEs can keep pace with the rapid development of digital technology.

With the many benefits obtained when using digital finance, it is hoped that MSME actors can maximize their knowledge in the field of science and technology. So that in terms of business development, it can go hand in hand with increasingly rapid technological advances.

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