

Utilization of Financial Technology as a Source of Capital for Songket Craftsmen Group in Muara Penimbang Ulu, Ogan Ilir

Fida Muthia¹, Agil Novriansa², Asfeni Nurullah³, Hasni Yusrianti⁴

¹Jurusan Manajemen, Universitas Sriwijaya

^{2,3,4}Jurusan Akuntansi, Universitas Sriwijaya

Email: f.muthia@unsri.ac.id¹, agilnovriansa@unsri.ac.id², asfeninurullah@unsri.ac.id³,
hasniyursrianti@unsri.ac.id⁴

Abstract

This community service aims to provide knowledge and understanding to songket craftsmen regarding the use of fintech as a source of capital. A survey conducted in Muara Penimbang Ulu shown that craftsmen are still experiencing capital difficulties due to problems with the documents required to apply for a capital loan. The majority of songket craftsmen also do not understand how to use fintech as their source of capital. Therefore, it is very important to hold community service activities by conducting training related to fintech to increase public understanding regarding how to use and utilize it. The implementation of community service activities is carried out using two methods, namely focus group discussions (FGD) and training. The training was conducted using lecture, discussion and simulation methods. Evaluation of activities for participants is carried out by giving pre-test and post-test. Monitoring of service activities also carried out to see the progress of the implementation of the material presented. The results of this activity indicate that there is an increase in the understanding of songket craftsmen regarding alternative capital that can be used.

Keywords: Fintech, capital, songket craftsmen, micro, small medium enterprises (SMEs)

INTRODUCTION

Muara Penimbang Ulu is part of Indralaya sub-district, Ogan Ilir. This village consists of 6 hamlets where each hamlet consists of 2 Neighborhood Associations (RT). The total population of the village reaches 1428 people spread over the 6 hamlets. As a result of the relatively low level of education, the majority of the people of Muara Penimbang Ulu make a living as farmers, farm laborers, casual daily laborers and songket craftsmen. People who work as songket craftsmen are incorporated in the songket center of Muara Penimbang Ulu. In this center, craftsmen weave songket that will be sold or those that have been ordered by customers. In 2010, the Provincial Government of South Sumatra, PT. Bank Negara Indonesia (BNI) and Cita Tenun Indonesia (CTI) created a partnership program in an effort to improve the people's economy. One of the advantages of this program is capital loan assistance for songket craftsmen. This capital is usually used by craftsmen to buy tools and materials to make

songket. For members, BNI provides a maximum loan of 5 million rupiah for craftsmen members and 30 million rupiah for craftsmen.

To develop their business, craftsmen need to have more business capital than what BNI offers, so craftsmen need to have other alternative capital. If craftsmen want to make loans through financial institutions, craftsmen are often constrained by the documents that must be prepared. This is in line with the findings of (Ahamed, 2016) which says that one of the reasons why people with low incomes are difficult to get access to finance is due to incomplete legal documents. One solution for this capital is to use *Financial Technology (fintech)* which can be accessed via cell phones. Currently, craftsmen use cell phone technology in marketing their products through social media, thus the use of financial technology is not so difficult for them.

Fintech is a term that describes the use of technology in the financial sector. Fintech can be used by the community in expanding their financial access. One type of fintech that can be utilized by the public

regarding capital is Peer to peer (P2P) lending. P2P lending is part of fintech where people can get funding/capital sources from other people without going through financial institutions and only through applications. This online platform provides alternative credit options for individuals and small businesses and the rules that apply to P2P lending are more lenient compared to those in financial institutions, therefore people who have difficulty accessing funding through financial institutions can take advantage of this technology.

P2P lending can be used as an alternative capital for the community, especially songket craftsmen in Muara Penimbang Ulu. However, some risks can arise from using such technology. First, people's consumptive behavior can be triggered by the use of financial technology with the ease of one-click away. Furthermore, research from (Suryono, Budi, & Purwandari, 2021) states that the use of fintech will also cause risks such as, leakage and restrictions on data access, including personal data protection, personal data fraud, illegal financing, and product marketing ethics. The risk will be higher if the financial literacy of the users is also low.

Several studies show that financial literacy has a close relationship with the use of *fintech*. (Morgan & Trinh, 2020) found that a high level of financial literacy has a strong and positive influence on individual awareness of the use of *fintech*. From the business point of view, (Dewi, Yurniwati, & Rahman, 2018) found that financial literacy affects the financial performance of a business. The high level of financial literacy enables business people to optimize their business through better financial decision making and financial management that will affect their business growth. Furthermore, (Hamzah & Suhardi, 2019) also found that 3 aspects that are a measure of financial literacy such as financial attitude, financial behavior and financial knowledge can affect the use of financial technology in MSMEs. Thus, in order to offer PEP lending as an alternative capital for songket craftsmen in Muara Penimbang Ulu Village, it is necessary to educate the craftsmen about financial technology.

IMPLEMENTATION METHOD

The implementation of this service activity is as follows:

- The training carried out in this community service activity uses the lecture, tutorial and discussion methods.
 - In the lecture method, training participants are given material on sources of capital, Fintech as a source of business capital, the pros and cons of Fintech and Tips for choosing Fintech.
 - In tutorial method, training participants are given illustrative examples of various materials in point a. In addition, participants will be given examples of how to use fintech applications.
 - In discussion methods, training participants are given the opportunity to ask questions related to training materials and discuss problems faced related to business capital.

In this event, there were 20 songket craftsmen as the participants.

RESULTS AND DISCUSSION

This community service activity was carried out from 13 July to 14 September 2022 in Muara Penimbang Ulu, Ogan Ilir, South Sumatra. This activity is divided into three major activities, such as, Focus Group Discussion (FGD), Training, Monitoring and Final Evaluation. Participants of this community service activity are villagers who work as songket craftsmen. The description of each activity is as follows:

a. Forum Group Discussion (FGD)

This activity was carried out to find out the initial state of the place and participants of the community service activities. The implementation of the Forum Group Discussion (FGD) aims to obtain information related to the use of fintech as a source of capital for the community of songket craftsmen. **FGD was held on July 13, 2022.** From the FGD activities, information was obtained that the craftsmen got their capital from the sale of songket and cooperative loans. There are no craftsmen who have used fintech to apply for capital due to the unavailability of information. During this time, craftsmen also often receive sms capital offers from online loans. However, the craftsmen ignored such offers.



Figure 1. Forum Group Discussion

b. Training

Training is used to increase public understanding regarding the use of fintech as an alternative capital. Training was conducted on **Monday, August 8, 2022**. Lecture, simulation and question and answer methods were used during the training session



Figure 2. Training

At the beginning of the training, participants were given material related to the definition of fintech, the use of fintech as an alternative capital, how to choose a safe fintech and examples of fintech recognized by the Financial Services Authority (OJK). The simulation is then carried out by showing participants how to access fintech and apply for a loan through one of the fintech applications that can be downloaded on each participant's mobile phone. Participants are given time to try it themselves and it was assisted by students.

From the results of the discussion, it was found that one of the obstacles in developing community business is the lack of capital where there are still many craftsmen who are constrained by the documents required when applying for loans to financial institutions. The income from the sale of songkets is usually immediately used by the

craftsmen, but this becomes a problem if the songkets that have been made have not been sold. During the training process, participants were asked to do pre-test and post-test, at the beginning and at the end of the event. This is done to measure participants' understanding of the material provided. From the results of the pre-test and post-test tabulations, it can be concluded that participants understanding regarding the use of fintech as a source of capital has increased. This shows that education related to fintech still needs to be done to increase public awareness.

c. Monitoring and Evaluation

The final activity of this community service is to hold a final monitoring and evaluation in **10 September 2022**. In this activity, participants are asked to fill in feedback related to the implementation of this service activity. Participants thought that this service activity increased their knowledge regarding the use of fintech and could be used as an alternative in obtaining business capital. The service activity team also asked participants to provide feedback to the students involved. The results showed that the students involved had a good understanding of the topic of service and were very helpful in assisting the simulation and discussion process.



Figure 3. Evaluation

Discussion

From the results of the community service activities in Muara Penimbung Ulu, it is known that currently songket craftsmen are still experiencing capital difficulties due to problems with the documents needed to apply for a capital loan. This phenomenon is a trend faced by SMEs in accessing

capital. This makes it difficult for community businesses to develop.

With developments in financial technology, people can use it to develop their business by getting additional capital. However, from the results of community service activities, the majority of songket craftsmen do not understand how to use fintech as their source of capital. Therefore, holding training related to fintech is important to increase public understanding regarding how to use and utilize it.

CONCLUSION AND SUGGESTION

Conclusion

This activity is aimed at increasing the understanding of songket craftsmen regarding the use of fintech as a source of capital. This activity was carried out from July 13, 2022 to September 10, 2022 in Muara Penimbung Ulu, Ogan Ilir. From the results of the activities in Muara Penimbung Ulu, it is known that currently songket craftsmen are still experiencing capital difficulties due to problems with the documents needed to apply for a capital loan. The majority of songket craftsmen also do not understand how to use fintech as their source of capital. Therefore, holding training related to fintech is important to increase public understanding regarding how to use and utilize it.

Suggestion

Increasing public understanding regarding the use and utilization of fintech needs to be done regularly. The next activity can focus on assistance related to borrowing capital through fintech.

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