The Economic Effects Financial Technology (FinTech) Adoption on Small and Medium-Sized Enterprises: Insights from Palembang, Indonesia

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Abstract: *Micro, Small, and Medium Enterprises (MSMEs) are important for This study was conducted to determine how financial technology (Fintech) is used by MSMEs in Palembang City, Indonesia. To manage accounting information, namely to find out the extent to which MSME players have used the benefits of fintech. The respondent population consists entirely of MSMEs in Palembang City, Indonesia. With a total of 100 respondents. This research is a type of quantitative research using primary data obtained from the results of filling out questionnaires. Purposive sampling is used by researchers in relation to sampling strategies, especially MSME players who have used digital payment systems. The data analysis method used in this study to descriptively examine respondents' responses is SEMPLS with the help of SmartPLS software. Based on the research findings, the use of fintech effectively, simply, and without risk has a significant impact on management accounting information.*

Keywords: *Management Accounting Information, Financial Technology (Fintech), Palembang City MSMEs.*

JEL: G40, G41, G53

1. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are important to the revival of the Indonesian economy, and the national economy as a whole shows that MSME activities are one of the growing sectors of the economy. Since the majority of MSMEs usually rely on domestic economic resources and are not dependent on imports and due to their specialty results can be exported, the Indonesian nation will have a strong competitive advantage if MSMEs have developed into productive main actors and are seen to strengthen the pillars of the national economy. Therefore, MSMEs must be a top priority in long-term national economic development. (Telaumbanua Eliagus, 2021)

Based on data collected by the Palembang City Cooperative and SME Office, there are 80,903 MSMEs in total by 2022. However, from this number, there is a problem where the proportion of MSME players who use digital marketing has not increased along with the number of internet users. (Bambang, S., & Abdur, R., 2019).. Modern marketing supported by technology is needed to increase the effectiveness of efforts to increase MSME revenues. In addition, the perpetrators of MSMEs must have enough cash to operate profitably, which can be obtained through bank or non-bank financing.

This can make it difficult for MSME actors to apply for capital financing from financial institutions such as banks or non-banks because they still market their products in non-strategic places and without regular bookkeeping. (Septiana, et al, 2019). Therefore, an MSME actor must be able to identify problems in order to make the right decision. Financial technology (Fintech) plays a role in this, because Fintech can also help MSME players access funds online. (Eriana & Fanani, 2019)

Technology with the idea of digital payments is one of the most growing sectors in the Fintech

business in Indonesia. (Muzdalifah et al., 2018) and Fintech is one of the financial service innovations that are increasingly popular in today's digital era. The presence of Fintech aims to increase financial literacy, simplify transactions, and make financial service products available to the wider community. (Sartika et al, 2021)

As per the information collected by the Office of Cooperatives and SMEs (2022) the current phenomenon will account for 99% of all business units. A total of 96.9% of human resources in Indonesia are absorbed by MSMEs, which also account for 60.5% of GDP and 60.5% of GDP for human resource utilization. Based on a study of 1,180 MSME participants, it was found that at that time, more than 48% of MSMEs had problems with raw materials. As 97% of MSMEs experienced a decrease in asset value and 88% of MSMEs experienced a decrease in product demand, one can imagine the benefits that can be obtained from the reach of management accounting information in order to expand the diverse business interests of MSMEs.

For MSMEs to succeed, accounting information is very important (Prastika & Purnomo, 2019). Other activities include collecting and storing data from all business transactions and operations, converting data into valuable information, managing data, and controlling company data. (Suprantiningrum, S., & Lukas, A. D, 2021).. In this study, the theory of perceived convenience is used (Davis, F. D, 1986), perceived usefulness (Davis, F. D, 1989) and risk perception (Dowling, 1994)

The use of management accounting information is anticipated by theory (Davis, F. D, 1986) of perceived effectiveness, which suggests that the more useful users find a technology, the more effectively it can be used. Perceived ease of use refers to a person's belief that using a particular system will not require effort, as described by the theory of (Davis, F. D, 1989). (Davis, F. D, 1989) about perceived ease. Perceived ease of use is a measure of user confidence that using certain technologies can provide the flexibility not to expend more effort. A person's feeling of uncertainty and unintended consequences when doing something is referred to as risk theory and was developed by (Dowling, 1994). (Dowling, 1994)

The first research is related to research conducted by (Nindya Syavira, 2021) with three independent variables, perceived effectiveness theory, perceived ease of use theory, and perceived risk theory, and the subjects used by researchers, namely MSMEs in Palembang City, are things that distinguish this research from previous studies.

2. LITERATURE REVIEW
2.1 Definition of *Fintech*

(National Digital Research Center, 2014) claims that this financial sector innovation is a service innovation in non-bank financial organizations that uses information technology as a tool to reach its customers. Article 1 point 1 of Bank Indonesia Regulation Number 19/12/PBI/2017 on the Implementation of Fintech regulates the use of technology information in financial services, according to Bank Indonesia. It is expected that strong Fintech development in Indonesia will drive national economic expansion. Fintech applications are strongly linked to the idea of network externalities and can be seen as an addition to other applications already in use. (Sartika et al, 2021). Peer-to-Peer lending (P2P Lending), Payment Gateway, Crowdfunding, and E-aggregators are some examples of Fintech types.

Peer-to-Peer Lending (P2P Lending) is a marketplace that connects lenders and borrowers. The implementation of P2P Lending in Indonesia uses peer-to-peer lending from countries that have done it

first and has been modified to suit Indonesian conditions. (Wahyuningsih, 2019).

Payment Gateway is an electronic transaction processing method that gives users access to process payments from transactions involving customers, companies, and banking institutions. Personal data and payment encryption are the two main features of payment gateways. (Ginanjar, P. A & Tanone, R, 2017)..

Crowdfunding by pooling financial contributions from a large number of people in a short period of time, an online-based funding strategy designed to aid the growth of start-ups. (Hossain, M & Oparaocha, G. O, 2017).

E-aggregators, a type of fintech, as they can process data and help with decision-making. These startups have the ability to compare costs, benefits, and product features.

2.2 Management Accounting Information

An organized strategy for solving problems faced at the decision-making level in accordance with its usefulness. The information needed to support supervision and take appropriate action in response to its assessment must be available in the management accounting information system. According to (Febrianti, R., & Fitri Y, 2019)identified four features of information assurance and management systems that are useful for drawing conclusions: broad coverage (scope), timeliness (timely), aggregation (aggregation), and integration (integration). To draw accurate conclusions about sales and unpredictable changes in the business environment a manager needs information that is sales-focused, market-oriented and broad in scope. (Rumpea et al, 2018).

2.3 Effectiveness

As stated by (Davis, F. D, 1986) there is a certain point where the use of something in particular will be able to increase one's productivity at work. This definition can be interpreted that the use of information technology can increase a person's productivity at work and as a benchmark for using a technology that is considered to provide benefits to its users. According to (Suprapto, Y., & Farida, F., 2022)the level of benefits and ease of use is an indicator of fintech adoption if users believe that adopting fintech will not provide benefits and convenience, their desire to use fintech will be low.

2.4 Ease

According to (Davis, F. D, 1989) belief in convenience can be used to measure a person's ease of using technology. Another sign of usability is the frequency and quality of user contact with the system. The perception that the performance benefits of the technology are not worth the effort of using the technology will arise if it only refers to effectiveness, namely the perceived usefulness or benefits but the technology is too difficult to use. (Subagio, H., & Jessica, J., 2020).

2.5 Risk

According to (Dowling, 1994) Risk is defined as the risk resulting from customer perceptions of uncertainty and the impact of losses that will be suffered from buying a product and poor consumer views of various actions based on adverse outcomes and allowing these outcomes to materialize. Perceived risk is described as the uncertainty faced by consumers when they cannot see the possibilities that can occur as a result of the purchase decisions made, in accordance with the results of the study. (Suryani, T., Nurhadi, M & fauzi A. A, 2019).

3. METHODS

The object of this research is MSME players in Palembang City, Indonesia. This type of quantitative descriptive research uses primary data. The sample used was 100 respondents with purposive sampling technique using a questionnaire instrument distributed to MSME actors as selected respondents. While the data analysis technique in this study used the *Structural Equation Model-Partial Least Squares* with the help of smart-PLS 3.0 software.

4. RESULTS AND DISCUSSION

Based on the records of the Office of Cooperatives and SMEs of Palembang City, Indonesia. There were 80,903 MSMEs overall in 2022. The researchers collected data by conducting surveys, handing out questionnaires to participants in person, or distributing them online.

Table 1: Respondent Profile

| Number of People	Percentage
65 Women	64,6%
35 Male	35,4%
Age > 43	31,57%
Age > 32	41,73%
Age < 24	26,7%

Source: Primary data processed Year 2023

From table 1, after evaluating the previous statistics, it is clear that the larger percentage of respondents is 64.6% for female respondents and 35.4% for male respondents. In terms of the age of the respondents, it can be seen that those below 22 years old are not too young as they represent 31.57% of the population, but those between 23 and 30 years old seem older as they represent 41.73%, and those above 30 years old seem quite young as they represent only 26.7% of the MSME players in Palembang City, Indonesia.

4.1 Measurement Model Analysis (Outer Model)

PLS (Partial Least Square) was used for data analysis in this study, and the data was processed using SmartPLS version 4 downloaded from www.smartpls.com. It is evident in all indicators in the variable that each indicator value meets convergence validity because the external load is greater than 0.70 in the results. It is also seen in all indicators in the variable that each indicator value meets convergence validity. The largest loading factor value for variable X1.3 is 0.909, X2.2 is 0.888, X3.2 is 0.910, and X4.2 is 0.902. The Outer Model is valid and appropriate if none of the indicators need to be eliminated. Figure 2 displays the results of the validity test of the smartPLS 4 program.

Figure 2: Outer Model Analysis Results with SmartPLS 4
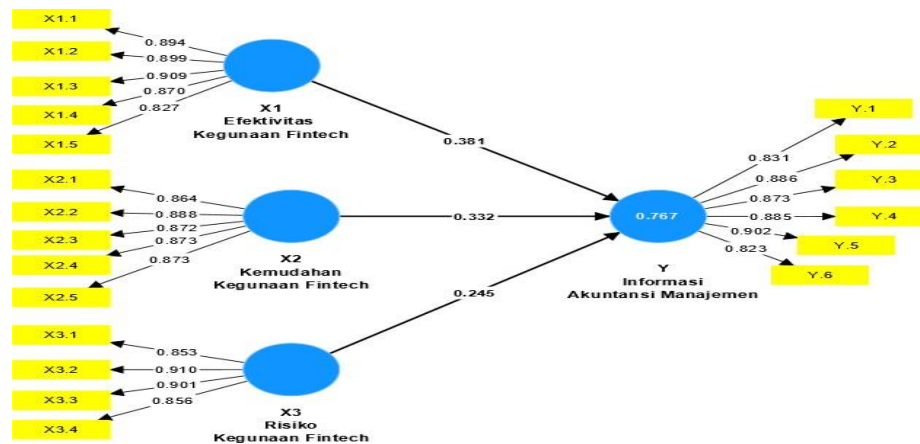
Source: Primary data processed. Year 2023

Evaluating the square root of the average variance abstracted (AVE) of each structure by the relationship between the concept and other variables in the model is another way to evaluate discriminant validity. The results are more conservative than composite reliability, and this assessment can be used to assess the dependency of latent variable component scores. According to (Ghozali, 2014) the AVE value must be greater than 0.50. Table 2 below displays the AVE value for each latent variable as well as the validity value of the model using the Fornell Lacker criteria.

Table 2: *Discriminant Validity*

	X1	X2	X3 Y
X1			
X2	0.893		
X3	0.762	0.746	
Y	0.886	0.874	0.800

Source: Primary data processed Year 2023

Table 2 illustrates that the validity value of each variable across settings is higher than the correlation value between the two configurations. The model meets the discriminant validity requirement as the AVE for each variable is also greater than 0.5. The settings are considered reliable if the Cronbach's alpha value and the combined reliability value are more than 0.7. Therefore, it is clear from the above-mentioned values that all latent variables have high dependability. The adopted measurement model is valid and reliable, as per the validity and reliability test findings mentioned earlier.

Table 3*: Construct Reliability and Validity*

	Cronbach	Composite	Composite	AVE
X1	0.927	0.929	0.945	0.774
X2	0.923	0.924	0.942	0.764
X3	0.903	0.905	0.932	0.775
Y	0.934	0.934	0.948	0.752

Source: Primary data processed Year 2023

All variables tested in this study showed a combined reliability and Cronbach's alpha value of more than 0.700, as shown in Table 3. If a variable consistently produces the same results when tested, then it is considered reliable. The results of X1 have a value of 0.927, X2 of 0.923, X3 of 0.903, and Y of 0.934. On question items that are considered valid, a reliability test is carried out.

4.2 Structural Model Analysis (Inner Model)

Based on the R Square value of 0.767 which indicates that 76.7% of variations or changes in Management Accounting Information are seen by the effectiveness of using Fintech, the ease of using Fintech, and the risk of using Fintech, the remaining 23.3% is explained by other causes not examined in this study, and the structure test (inner model) is used to predict causal relationships between latent constructs or constructs that cannot be measured directly. Therefore, R Square on variable Y can be said to be strong. R-Square test findings Table

4.4 below lists the findings from the R-Square test of this study.

Table 4: *R-Square*

	R-Square	Adjusted R-Square
Y	0.934	0.934

Source: Primary data processed Year 2023

4.3 Hypothesis Testing Analysis

A one tail test was used to test the hypothesis in this study, and the t-table value found in this study is > 1.645 for a significance of 0.05. Table 5 below will list the results of the calculations carried out for the hypothesis test in this study.

Table 5: *Result of Path Coefficients*

	Original Sample	Sample Mean	STDEV	T-Statistic P Value
X3->Y	0.381	0.381	0.085	4.498 0.000
X2->Y	0.332	0.34	0.099	3.372 0.001
X3->Y	0.245	0.239	0.08	3.066 0.002

Source: Primary data processed Year 2023

4.4 Discussion

4.4.1 Impact of Fintech Effectiveness on Management Accounting Information

Hypothesis 1 testing shows that hypothesis 1 can be accepted. The T statistic value of Fintech Usage Effectiveness on Management Accounting Information is 4.498 > 1.645 and P Values 0.000 < 0.05 for Fintech Usage Effectiveness on Management Accounting Information. Therefore, based on the findings of the hypothesis, it can be proven that the Effectiveness of Using Fintech has a favorable impact on Management Accounting Information.

Supported by research according to (Nindya Syavira, 2021)has a significant impact and this research is supported by (Sabili Maruf, 2018), (Muhammad Wildan, 2019), (Setiawan et al, 2020), (Rohila & Yusuf, 2020), (Cut Nurul Ala, 2021), and (Muhammad Wildan El Kirom, 2023). However, research (Santoso et al, 2021) and research (Fatma Nasir, 2020) stated that the efficacy variable showed a negative sign, namely -0.054.

4.4.2 Impact of Ease of Use of Fintech on Management Accounting Information

The results obtained from the evaluation of hypothesis 2 indicate that it is acceptable. The T statistical value is 3.372> 1.645 and P Values 0.001 <0.05 for Ease of Use of Fintech Has a Positive Impact on Management Accounting Information and can be proven, in accordance with the results of this hypothesis.

Supported by research according to (Muhammad Wildan El Kirom, 2023) has a significant impact and this research is supported by (Sabili Maruf, 2018), (Muhammad Wildan, 2019), (Rohila & Yusuf, 2020), (Nindya Syavira, 2021), (Santoso et al, 2021), (Fatma Nasir, 2020)However, according to research (Setiawan et al, 2020) the adoption of financial technology (Fintech) is not impacted by perceived ease of use.

4.4.3 Impact of Risk of Using Fintech on Management Accounting Information

The results of testing hypothesis 3 show that the hypothesis is supported or accepted. The statistical T value is 3.066 > 1.645 and P Values are 0.002 < 0.05 for Fintech Usability Risk Negatively Impacts Management Accounting Information Proven, in accordance with the findings of this hypothesis.

Supported by research according to (Setiawan et al, 2020), and these findings are supported by research (Sabili Maruf, 2018), (Rohila & Yusuf, 2020), and (Fatma Nasir, 2020). However, risk has a negative and significant impact on interest in using transactions Fintech, according to research (Cut Nurul Ala, 2021), which is also supported by research (Muhammad Wildan, 2019), (Santoso et al, 2021), (Nindya Syavira, 2021) and (Muhammad Wildan El Kirom, 2023)

5. CONCLUSIONS AND SUGGESTIONS
5.1 CONCLUSION

The following conclusions can be drawn on the usefulness of management accounting information in Palembang City MSMEs, namely:

Of the three variables of effectiveness, convenience and risk of using *fintech* on management accounting information, the test results show that it is positive, with this it can provide a sense of usefulness for MSME players to increase the practicality of transactions so that not much time is wasted and it is easy to use anywhere and anytime and is beneficial in terms of capital to assist MSME players in managing their companies consistently and is sufficiently understood by themselves without the help of others and but still must also be careful in using *fintech* because there are risks.

5.2 ADVICE

The following are suggestions made by the researchers:

It is intended that future researchers can develop this research by paying attention to more factors that are variables outside this study. Because the independent variables in this study have an important impact on the use of management accounting information, this research is expected to be a guide for further research and can elaborate on the various MSME sectors that are respondents and it is hoped that the method will expand the scope of distribution of respondents and adapt it to current conditions.

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