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The Urgency Of Crowdfunding In Increasing The Competitiveness Of Msmes In Villages

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Abstrak

Tujuan dilakukan kegiatan pengabdian ini yaitu untuk memberi edukasi kepada masyarakat UMKM desa bahwa crowdfunding memiliki urgensi dalam meningkatkan daya saing UMKM di desa. Kegiatan ini dilakukan pada salah satu desa di Jawa Tengah tepatnya di Desa Wisata Dadapan, Kabupaten Rembang. Kegiatan ini diawali dengan mengidentifikasi pendanaan UMKM desa untuk mengetahui sejauh mana pemanfaatan pendanaan eksternal menggunakan platform crowdfunding. Selanjutnya pengenalan urgensi crowdfunding dalam meningkatkan daya saing UMKM di desa. Sasaran kegiatan ini merupakan para pelaku UMKM dan startup yang pernah atau sementara mengajukan bantuan pendanaan melalui platform crowdfunding. Hasil dari penelitian ini yaitu pelaku UMKM Desa Wisata Dadapan lebih teredukasi dan memahami bahwa Crowdfunding memiliki beberapa kelebihan karena dapat dijadikan sarana bagi UMKM untuk mencari modal pembiayaan secara cepat sebagai alternatif bantuan pendanaan agar tetap mampu mempertahankan usaha mereka.

Kata Kunci: Crowdfunding, UMKM, Desa

Abstract

The aim of this service activity is to provide education to the village MSME community that crowdfunding has urgency in increasing the competitiveness of MSMEs in the village. This activity was carried out in one of the villages in Central Java, precisely in the Dadapan Tourism Village, Rembang Regency. This activity begins with identifying village MSME funding to find out the extent to which external funding is utilized using crowdfunding platforms. Furthermore, the introduction of the urgency of crowdfunding in increasing the competitiveness of MSMEs in villages. The targets of this activity are MSMEs and startups who have previously or are currently applying for funding assistance through crowdfunding platforms. The results of this research are that MSME actors in the Dadapan Tourism Village are more educated and understand that Crowdfunding has several advantages because it can be used as a means for MSMEs to quickly seek financing capital as an alternative funding assistance so they can maintain their business.

Keywords: *Crowdfunding, MSMEs, Villages*

INTRODUCTION

One of the obstacles that often occurs in developing the MSME sector is the lack of access to banking as a source of capital (Kurniaditama, 2022). This is a global phenomenon where banks are generally reluctant to provide credit to MSMEs. In recent years, crowdfunding has become a popular alternative for MSMEs to obtain funding assistance in facing the challenges of doing business in the digital world. Nowadays, the term crowdfunding is no longer foreign to business people. Crowdfunding is a funding method where a number of funds are collected from a group of individuals or legal entities to fund businesses, certain projects, individual needs, and other needs. From this definition, it can be concluded that crowdfunding includes three important components, namely funds in small amounts that continue to increase, originating from many people and intended for many people/businesses, and based on digital technology, usually using a web-based platform (Wahjono, 2021; Ibrahim, 2012).

Crowdfunding is one of the methods used by a person, organization or company, to obtain capital through online media or better known as a 'crowdfunding platform' in order to finance their activities. There are 2 crowdfunding models, namely the donation model and the investment model (Hutomo, 2019; Alaei, 2016). Crowdfunding donation models are divided into donation-based where funders give their funds without expecting any compensation and reward-based where funders will receive rewards as appreciation such as thanks, free gifts and so on. Crowdfunding investment models are divided into share-based, loan-based and royalty-based. In share-based crowdfunding, funders will receive ownership shares or profit sharing. In loan-based crowdfunding, funders will receive a refund with interest added after a specified time has passed. Meanwhile, in royalty-based crowdfunding, funders will receive royalties from copyrights produced by fund recipients (Nareswari, 2023).

MSMEs play a major role in the economic growth of developing countries. Likewise in Indonesia, MSMEs are the backbone of the country because they contribute to increasing state income. The contribution of MSMEs from year to year always increases significantly. The contribution value of MSMEs to GDP based on 2018 data from the Central Statistics Agency reached IDR 5,721.1 billion or 57.24% of total GDP with total exports of IDR 293.8 billion or 14.37% of total exports. Meanwhile, investments made by MSMEs reached IDR 1,675.1 billion or 54.89% of the total investment (Budiarto, 2018).

Despite the significant contribution of MSMEs to the country's economy, MSMEs' access to funding is relatively limited compared to large companies. The Investment Climate Survey of all MSMEs in developing countries shows that the majority of MSMEs have difficulty gaining access to funding and are unlikely to receive formal bank financing. This condition can occur because most MSMEs are considered not bankable and have high risk (Aprihasyati, 2021). In recent years, several new methods of external funding have begun to develop which can be used as a solution to these obstacles, one of which is funding through Crowdfunding Platforms. Some experts acknowledge that Crowdfunding has been recognized as effective funding to support new ventures, representing an alternative to traditional entrepreneurial financing (Chang, 2018).

The lack of literacy regarding crowd funding platforms in Indonesia has resulted in a lack of community participation in Indonesia, resulting in many crowdfunding platforms being inactive (Zakaria, 2023). Through this article, as a result of community service activities, it is necessary to increase MSME funding literacy in villages so that the concept and urgency of crowd funding can be implemented well. Through community service activities, it is hoped that we can increase the use of crowdfunding as access to MSME funding which can increase the competitiveness of MSMEs in villages.

METHOD

The method used in this community service activity is related to the urgency of crowdfunding as access to MSME funding which can increase the competitiveness of MSMEs in the Dadapan Tourism Village, Rembang Regency, Central Java. To achieve the potential for utilizing MSME funding in the Dadapan Tourism Village through the crowdfunding platform, a community service activity program has been designed and implemented by the author and team. The stages carried out in this activity include:

1. This activity begins with identifying village MSME funding to find out the extent to which external funding is utilized using crowdfunding platforms.
2. Introduction to the urgency of crowdfunding in increasing the competitiveness of MSMEs in villages.

The targets of this activity are MSMEs and startups who have previously or are currently applying for funding assistance through crowdfunding platforms. This service activity is an activity carried out as an effort to educate the village MSME community in solving funding problems.

RESULTS AND DISCUSSION

Crowdfunding is classified into four main categories, namely Equity Based Crowdfunding, Debt or Credit based Crowdfunding or peer-to-peer (P2P) Lending, Donation Based Crowdfunding, and Reward Based Crowdfunding. Even though it is quite popular, currently there are still many MSMEs and Startups who have not decided or have not maximized the use of crowdfunding platforms as an alternative funding, including the people of Dadapan Tourism Village, Rembang Regency, Central Java. The village community's lack of knowledge or information regarding crowdfunding platforms for MSME business actors is one of the reasons for this. Meanwhile, for startups, the risk of not achieving the expected capital target may be a special consideration for not trying the crowdfunding platform. Plus, to get financial assistance from this crowdfunding platform, businesses applying for loans are required to create a campaign that can attract the attention of lenders.

In recent years, the use of crowdfunding platforms has become a concern for business actors who do not yet meet the requirements to apply for funding assistance through banks, as well as several MSME actors in the Dadapan Tourism Village, Rembang Regency, Central Java. The rapid development of technology which provides easy access to various information has made the crowdfunding platform quickly develop and become widely known by the public, including the target of this community service activity. This is what drives the intention of MSME and Startup business actors to use this platform.

There are several MSMEs at the service location in Dadapan Tourism Village, Rembang Regency which have been identified based on external funding using a crowdfunding platform. Most MSMEs already have external funding, but the majority still do not understand the urgency of crowdfunding funding so they do not maximize the use of crowdfunding in increasing the competitiveness of MSMEs in the Dadapan Tourism Village. Even though village MSMEs contribute to the national economy and are an effective solution in overcoming economic problems in the small to medium class, they need to be understood well, including in terms of funding.

The existence of Dadapan Tourism Village, Rembang Regency as a potential area is shown by the spread of MSMEs which increase village income. The efforts shown by business actors to become superior and sustainable then require initiatives to develop themselves in the current era of media convergence. Utilizing business management mechanisms by utilizing social networks gives hope for strengthening capital and competitive strategies for MSME players. The concept of strengthening funding by

utilizing digital platforms requires intensive training that optimizes the stock of knowledge of MSME players in solving the problems they face.

In the crowdfunding platform, the organizers actively display the funding progress of businesses/projects that receive assistance through their services, including the amount of funds that have been collected for these businesses. This certainly makes it easy for MSME and Startup business actors to see for themselves how a business can be greatly helped by this service. Apart from that, the growing trend of using this service in recent times has certainly encouraged MSME and Startup business actors to follow in the footsteps of colleagues or people around them who have succeeded in getting funding assistance through this crowdfunding platform.

The demand to create an attractive campaign when applying for funding assistance is one of the reasons why these business actors need adequate facilities to be able to use the services on this crowdfunding platform. Apart from that, the internet network is of course the main facility needed to use this service. Crowdfunding has several advantages because it can be used as a means for project owners or MSMEs to quickly seek financing capital that is impossible to obtain from banks. Apart from that, crowdfunding also provides investors with the advantage of directly choosing which projects/SMEs to finance according to their interests and investors come from all corners of the world without any regional restrictions.

Several platform operators who are under the supervision of the Financial Services Authority (OJK) are known to have set quite strict conditions in selecting recipients of their financial assistance. However, these things do not reduce the intention to use this technology. The condition of the Indonesian economy after the economic recovery has also become a driving factor for MSMEs and startups whose businesses have been affected, to use crowdfunding platforms as an alternative to obtain funding assistance so that they can continue to maintain their businesses, regardless of the size of the business required to use the platform.

Currently, to meet long-term funding needs for MSMEs, Securities Crowdfunding (SCF) has emerged. SCF is a method of collecting funds using a joint venture scheme carried out by business owners or businesses to start or develop their business. Later, investors can buy and obtain ownership through shares, proof of debt ownership (Bonds), or joint ownership certificate (Sukuk). Shares from the business are obtained according to a percentage of the value of the contribution. With SCF, investors and parties who need funds can easily be met via an online platform (information technology-based application system). Investors will get profits in the form of dividends or profit sharing from the business profits which are distributed periodically.

For investors who are interested, there is actually no need to worry too much because SCF already has a legal umbrella from the Financial Services Authority (OJK) which is regulated in OJK Regulations, namely POJK Number 57/POJK.04/2020 concerning Securities Offerings Through Information Technology-Based Crowdfunding Services (Securities Crowdfunding). Based on OJK data, 23 December 2020 there were several Equity Crowdfunding organizers who had officially received permission from the OJK, including PT Santara Daya Inspiratama (Santara), PT Investasi Digital Nusantara (Bizhare), PT Crowddana Teknologi Indonusa (CrowdDana) and LandX. The company is in the stage of expanding its business license as an SCF platform.

Equity crowdfunding is a new alternative funding solution for business entities, especially MSMEs. Equity crowdfunding platforms encourage MSME growth through the platform's impact on product and brand growth processes. The prospectus and business profile published by MSMEs on the equity crowdfunding platform can be a means of promoting the business and products of these MSMEs. If used well, this mechanism can encourage the popularity of MSME businesses so that apart from increasing customers, it can also increase the value of the business. Equity crowdfunding gives business actors

the opportunity to test products, develop brands, build a strong customer base, and convert customers into investors.

Each equity crowdfunding organizer through their various social media will display the business profile of each MSME, this will also help to some extent increase the popularity of MSMEs and their products in the eyes of the public. MSMEs that successfully exploit this impact can connect with equity crowdfunding networks and stakeholders. This mechanism not only saves MSMEs from funding limitations but also uses them to improve business performance and growth. This is an advantage that MSMEs do not get when applying for credit from banks. Equity crowdfunding requires that the business entity that wants to issue shares is not a start-up entity. This means that the funds obtained by the issuing entity are not used to start a business, but to expand or develop the business.

Limited information and skills in using social media are a real challenge for village communities. In fact, there are also many village people who want to set up a business but are still confused about the capital. So, this community service activity is the best solution in introducing the urgency of crowdfunding in increasing the competitiveness of MSMEs in villages.

CONCLUSION

This community service activity is the first step in solving the funding problem of MSMEs in the Dadapan Tourism Village, Rembang Regency. Most of the MSMEs in the Dadapan Tourism Village have external funding, but the majority still do not understand the urgency of crowdfunding funding so they do not maximize the use of crowdfunding in increasing the competitiveness of MSMEs in the village. Crowdfunding has several advantages because it can be used as a means for MSMEs to quickly seek financing capital as an alternative funding assistance so that they are able to maintain their business, regardless of the size of the business required to use the platform.

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