



Journal of Human And Education

Volume 4, No. 3, Tahun 2024, pp 278-285

E- ISSN 2807- 4238, P-ISSN 2807-4246

Website: <https://jahe.or.id/index.php/jahe/index>

The Role of Peer to Peer Lending in Improving the Welfare of Village Community MSMEs

Yovita^{1*}, Rumbiati², Mar Syahid³, Saputra Adiwijaya⁴, Eva Yuniarti Utami⁵

Universitas Terbuka, Indonesia¹ Institut Rahmadiyah Sekayu, Indonesia² STIB

Banyuwangi, Indonesia³ Universitas Palangka Raya, Indonesia⁴

Universitas Sebelas Maret, Indonesia⁵

Email: yovita@ecampus.ut.ac.id^{1*}

Abstract

Tegal Maja Village is one of the villages in Kragilan District, Serang Regency, Banten. Geographically, Tegal Maja Village is located in the middle and is very strategic. When discussing with members of the MSME Group in Tegal Maja Village, Kragilan District, Serang Regency, Banten, they had a number of problems as well as reasons why the Bamboo Craft business was not growing rapidly and even continued to decline every year. The problem in question is the lack of capital costs. To overcome this problem, an alternative solution that can be implemented is for the author to discuss with village officials who suggest collaborating with Fintech using the peer to peer lending method which is expected to be useful for improving the home business of the Tegal Maja Village Bamboo Craftsmen MSME group so that they are able to compete with competitors online. or offline. Therefore, the aim of this community service is to see the potential of using the role of Peer to Peer Lending in improving the welfare of the MSME community in Tegal Maja Village, Kragilan District, Serang Regency, Banten. To obtain the data used were observation and literature review. This service activity is an educational effort on the role of peer to peer lending in improving the welfare of the MSME community in Tegal Maja Village, Kragilan District, Serang Regency, Banten. As a form of thought, the author offers several efforts and breakthroughs, namely: 1.) Provide education on how to use Fintech lending applications, identify which Fintech Lending is licensed and which Fintech lending is not licensed, and submit proposals to the Village Government, Regency Government and Fintech lending Companies, 2.) The easiest Fintech lending and financial institutions fastest in providing loans, so according to the author Fintech lending is the most suitable financial institution.

Keyword : *Fintech Lending, Peer to Peer Lending, MSME, Villages*

INTRODUCTION

The development of technology and the internet is currently moving rapidly. The fast and rapid development of technology and the internet has given birth to many new innovations in various industries that use or are based on technology (Kusuma, *et. al.*, 2020). According to Maulana, *et. al.* (2020) Human needs continue to increase and develop rapidly. Mobilization accompanied by human activity requires the emergence of a facility that can meet all these needs. One industry that has given rise to new innovations is the financial sector. Industries operating

in the financial sector are creating new innovations, namely Fintech (Financial Technology) (Purwanto *et. al.*, 2022).

Fintech (Financial Technology) is a combination of financial systems and technology. The development of fintech in Indonesia has given rise to various application innovations, especially in financial services, such as payment transaction tools, money storage tools, and also money lending tools. The proliferation of fintech in Indonesia is proof of society's shift from traditional financial systems to using fintech. The shift in society is based on the speed and ease of fintech in accessing various interests related to the financial system (Murdinar, *et. al.*, 2023).

The rapid development of the financial technology industry in Indonesia has had a positive impact on micro, small and medium enterprises (MSMEs). The financial technology (fintech) industry is considered to be able to contribute to helping channel capital to the micro business sector. It is hoped that the existence of online loans will encourage the development of the MSME business sector (Kurniaditama, *et. al.*, 2022). Based on data from the Financial Services Authority (OJK), it was recorded that as of January 2024, the growth in outstanding Peer to Peer lending financing reached 18.4% compared to December 2023 which was 16.67%. It was recorded that outstanding Peer to Peer lending reached IDR 60.42 trillion, accompanied by the aggregate risk of bad credit (TWP90) being maintained, namely at 2.95%. (Anam, 2024). According to Purwanti (2023), over the last few years, the Financial Services Authority (OJK) has contributed 70% of peer to peer lending to MSMEs.

Looser lending policies in fintech could be one of the reasons people choose online credit over banks. In the end, fintech complements the role of banking in channeling funds to micro businesses. This development is also an opportunity for collaboration between fintech players and the financial services industry, including savings and loan cooperatives and also government institutions or institutions operating in the financing sector. This collaboration needs to be carried out so that efficiency can be achieved in operations and can result in cheaper interest rates for borrowers, especially business actors (Nurmayanti, 2018).

In Press Release SP 18/DHMS/OJK/V/2019 regarding efforts to fully support MSME funding, the Financial Services Authority (OJK) has two options. The first way is to encourage fintech lending to increase productive funding capacity (quality). Meanwhile, the second way is to encourage easy registration of productive fintech lending on a massive scale (quantity) (Prabowo, 2019).

According to Apriyani (2019), OJK is also undertaking various efforts to strengthen fintech lending to encourage the growth of the fintech lending industry, including:

- 1.) Preparation of technical regulations related to the implementation of registration, licensing, supervision, online monitoring systems for fintech lending, including the use of E-KYC (electronic know your customer), bimoteric, digital signature and electronic documents
- 2.) Developing sustainable and open dialogue between the government, regulators, fintech lending providers and associations in order to improve the quality of fintech lending regulations
- 3.) Developing collaboration between the incumbent financial services industry and fintech lending providers to build and strengthen the digital economic ecosystem.

To anticipate the very rapid development of fintech lending, OJK together with the fintech lending industry association have issued provisions. One of the provisions is a prohibition on accessing users' digital personal data other than that obtained from cameras, microphones and user location information. Then, to increase transparency, OJK has required organizers to submit a risk disclaimer for fintech lending activities which provides education to the public to understand the risks in utilizing fintech lending loans (Andaiyani, *et. al.*, 2020).

Fintech lending is considered capable of helping increase financial inclusion because it has an extensive internet network and can reach almost all regions, making it easier for people to gain access to various financial institutions, products and services that suit their needs and abilities. This fintech transaction process is very fast. Decisions on granting funds are not made manually by humans, but using artificial intelligence. Easy requirements (for small amounts of funding you only need KTP and photo). The transaction chain becomes simple (Lidyah, *et. al.*, 2024).

When the author carried out his service in Tegal Maja Village, Kragilan District, Serang Regency, Banten. The author encountered a problem experienced by residents in Tegal Maja Village, namely the lack of information and outreach regarding the Role of Fintech Peer to Peer Lending in Improving the Welfare of the MSME community in Tegal Maja Village, Kragilan District, Serang Regency, Banten, causing the Bamboo craft business to not develop rapidly due to lack of funds. capital of the MSME community in Tegal Maja Village, Kragilan District, Serang Regency, Banten.

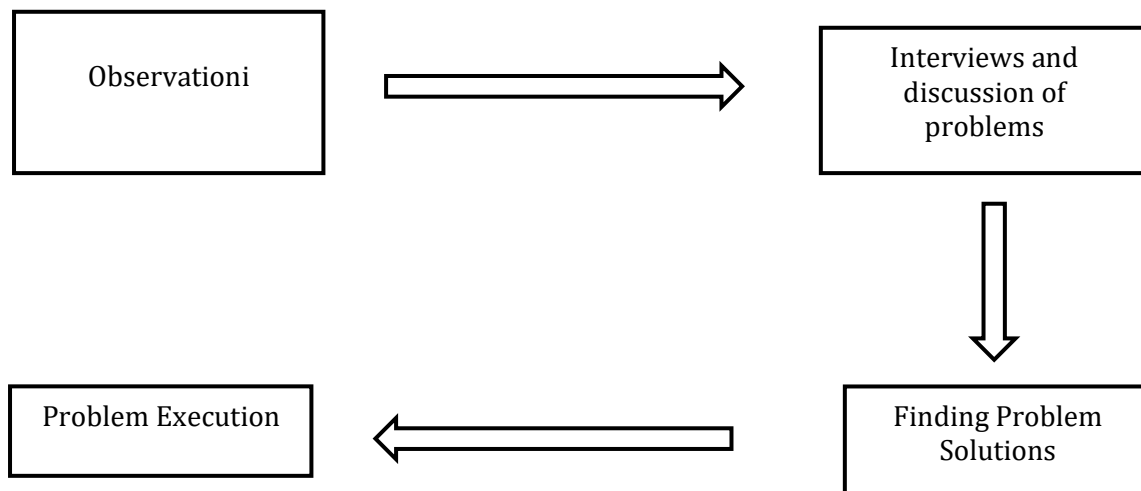
Therefore, the author believes that the presence of Fintech Peer to Peer Lending in Tegal Maja Village, Kragilan District, Serang Regency, Banten, could be a solution to eliminate a number of problems experienced by the Parigi Village MSME community, especially in distributing products and so on.

METHODS

During discussions with Tegal Maja Village Officials, the method of activity carried out was theory and guidance to residents and introducing and providing direction to the community regarding the role of Fintech Peer to Peer Lending in improving the welfare of the MSME community in Tegal Maja Village, Kragilan District, Serang Regency, Banten. From the observations made, it can be concluded that the residents and village officials do not fully understand that the role of Fintech Peer to Peer Lending is one of the solutions for the Tegal Maja Village Community in improving the home business of the Tegal Maja Village Bamboo Craftsmen MSME group so that they are able to compete with competitors online or offline. The problems presented in this method are such as:

1. Benefits of the Fintech Peer to Peer Lending Method for the MSME Community in Tegal Maja Village, Kragilan District, Serang Regency, Banten.
2. Solutions on how to utilize Fintech Peer to Peer Lending so that it can be a solution to the problems of the MSME community in Tegal Maja Village, Kragilan District, Serang Regency, Banten.

Table 1
Problem discovery and problem solutions



DISCUSSION

Technology and the internet are currently developing very quickly. The development of information was created in line with human needs and information technology has changed the way of transactions and opened up new opportunities in business transactions (Aprita, 2021). According to Benuf, *et. al.*, (2020) One form of business from the development of information is

Fintech (Financial Technology), which is the use of technology to provide convenience and solutions in the financial sector. The presence of Fintech is the answer for people who have not been touched by banking services, making it easy for every level of society to get practical and fast financial services (Saputra, 2019).

According to Fratiwi (2021) Fintech is a new business model that will help people's needs in carrying out financial transaction activities without having to have an account like banking in general. Fintech provides potential applications for traditional financial institutions by introducing new technologies into e-banking operations by incorporating innovative solutions for customers. Financial Technology (Fintech) is defined as the provision of financial and market services using electronic communications and computing (Coeckelbergh, *et. al.*, 2017). Fintech is the application of digital technology to financial intermediation problems (Beck, *et. al.*, 2018).

Financial technology is the use of information or network technology to help develop financial institutions' businesses in collecting, processing, analyzing and providing data (big data, cloud computing, software and others). How to improve efficiency, financial service security and operational processes for mobile payment services (Aaron, *et. al.*, 2017). According to (Wewege, 2016), financial technology is computer programs and other technology used to support or enable banking and financial services. Financial Technology (Fintech) is a form of application of information technology in the financial sector.

According to Mangkona, *et. al.* (2023) There are 3 types of Financial Technology (Fintech), namely:

- 1) Payment systems via third parties (Third-party payment systems) examples of payment systems via third parties are crossborder EC, online-to-offline (O2O), mobile payment systems, and payment platforms that provide services such as bank payments and transfers
- 2) Peer-to-Peer (P2P) Lending Peer-to-Peer Lending is a platform that brings together lenders and borrowers via the internet. Peer-to-Peer Lending provides credit and risk management mechanisms. The platform helps lenders and borrowers meet their individual needs and make efficient use of money.
- 3) Crowdfunding is a type of Fintech where a concept or product such as a design, program, content and creative work is published publicly and people who are interested and want to support the concept or product can provide financial support. Crowdfunding can be used to reduce entrepreneurial financial needs, and predict market demand.

According to the Financial Services Authority (OJK) (2016), there are advantages and disadvantages of financial technology (FinTech), namely:

- 1.) Serving Indonesian people who cannot be served by the traditional financial industry due to strict banking regulations and the limitations of the traditional banking industry in serving people in certain areas.
- 2.) Becoming a funding alternative to traditional financial industry services where people need more democratic and transparent financing alternatives.

Meanwhile, the disadvantages of Fintech are:

- 1.) Fintech is a parts that does not have a license to move funds and is less established in running its business with large capital, when compared to banks.
- 2.) There are some Fintech companies that do not yet have physical offices, and lack experience in carrying out procedures related to security systems and product integrity.

According to Andayaini, *et. al.*, (2020) The following are several Fintech services for MSMEs, namely:

- 1.) Financial management services There are several applications that offer financial management services. This innovation aims to help MSME business people manage company finances. The services provided include recording expenses, monitoring investment performance, and financial consultations at no charge. If some of the Fintech services mentioned above are applied to bank operational systems, it will be easy for business people to access the products offered by banking. So the bank will be inclusive, meaning that all the products offered can be accessed by business people.
- 2.) Fintech company payment services also provide easier and safer digital payments for business people. With an easy and safe payment process, this will be able to attract more

consumers, thus providing benefits for business people. One of the Fintechs that provides digital payments is the Jenius application which synergizes with online transportation service companies.

- 3.) Capital Loans Fintech companies are here to provide capital loan services with a simpler application process compared to conventional financial institutions such as banks without the need to submit collateral and just complete a few document requirements, this online loan service is an alternative to conventional bank loans or other loan companies . The loan applied for can be disbursed in a relatively short time.

According to Aprita (2021) Financial technology Peer to Peer lending is a form of technological innovation in the field of financial services, especially loans, financing and funding which eliminates the obstacles that people often experience. Currently, with the presence of fintech, people can easily access loans and financing to improve the business they have or the daily needs that must be met. Not only to get large profits or income for startup companies, but the existence of fintech can also improve the standard of living, as well as the purchasing power of many people (Benuf, *et. al.*, 2020).

Capital and cash flow always play an important role in business growth and sustainability. Especially nowadays, the existence of capital is like a 'breath' for business people. How could it not be, currently the movement of MSME cash flow is slowing both in terms of production, distribution and sales. On the one hand, the government and various parties have tried to boost people's purchasing power and shopping culture in the midst of the pandemic. Of course, on the other hand, there needs to be a party that helps MSMEs obtain capital to maintain their production capacity. Taking on a crucial role, fintech lending opens up wider and more affordable access to capital. It's true, fintech lending provides faster, easier financing, especially without significant collateral like at banks or other financial institutions. MSME players can utilize capital immediately to maintain their business in the midst of a crisis (Aprita, 2021).

The Role and Contribution of Micro, Small and Medium Enterprises (MSMEs) Currently, they are in a positive trend with their numbers continuing to increase every year. This positive trend will have a good impact on the Indonesian economy. Based on data from the Ministry of Cooperatives and SMEs, the contribution of MSMEs to National GDP is 60.5%. This shows that MSMEs in Indonesia have great potential to be developed so that they can contribute even more to the economy. As a state administrator, the government can help MSMEs to develop further. The Government of the Republic of Indonesia has helped MSMEs by providing People's Business Credit (KUR). Based on data from the Ministry of Cooperatives and SMEs, KUR growth was IDR 178.07 trillion or approximately 16.25% in 2020 and IDR 192.59 trillion or approximately 8.16% in 2021. This also proves that MSME players really needs an injection of funds to develop its business (Ministry of Finance, 2023).

When the author carried out the service in Tegal Maja Village, Kragilan District, Serang Regency, Banten, the author encountered problems experienced by the MSME Community in this village, namely the lack of capital and networks so that the products produced in the form of Bamboo Woven as a livelihood could not be maximized, the lack of model variations woven forms, lack of product marketing, causing it to be unable to compete with existing competitors who are more creative, especially those from big cities and have bigger marketing networks. Therefore, the author tried to discuss with other co-authors and proposed the idea of the presence of Fintech Lending in rural areas as a solution in developing businesses owned by the MSME Community in Tegal Maja village, Kragilan District, Serang Regency, Banten.

Fintech Peer to Peer Lending is considered capable of helping increase financial inclusion because it has an extensive internet network and can reach all regions, making it easier for people to gain access to various financial institutions, products and services that suit their needs and abilities. This fintech transaction process is very fast. Decisions on granting funds are not made manually by humans, but using artificial intelligence. Easy requirements (for small amounts of funding you only need KTP and photo). The transaction chain becomes simple. There are several things that researchers can do so that the MSME Community of Tegal Maja Banten Village can solve their capital problems, namely as follows:

1. Educating how to download and use the Fintech Peer to Peer Lending Application

2. Tell us which Fintech Peer to Peer Lending is licensed and which Fintech Peer to Peer Lending is not licensed
3. Make proposals to government villages, government districts and Fintech Peer to Peer Lending companies to provide solutions in the form of free financing or low interest financing.

Based on the stages above, the sensible and realistic thing that the author can do is educate about how to use Fintech Peer to Peer Lending, provide information about which Fintech Peer to Peer Lending is licensed and which is illegal, so that there is a guarantee from the competent authorities in this is the Financial Services Authority, if a conflict or unlawful act occurs, and submits a proposal to the Village Government to forward it to the Regency Government. And in the end, the Village Government, supported by the Regency Government, can explain the urgency of financing that Fintech Peer to Peer Lending can provide to the Tegal Maja village MSME Community. The reasons why you should use Fintech Peer to Peer Lending and not use other financial institutions are because:

1. More transparent and can be controlled digitally
2. Fintech Peer to Peer Lending has a faster administration process, so that funds can be disbursed immediately and the Tegal Maja Village MSME Community can immediately run their business
3. Fintech Peer to Peer Lending conditions are simpler, even just by using a KTP if the nominal financing is not too large

CONCLUSION

Based on the explanation above, it can be concluded that this Community Service Activity has broadened the insight of local village residents, especially the MSME Community of Tegal Maja Village, in knowing that the role of Fintech Peer to Peer Lending can improve the welfare of the MSME Community in Kragilan District, Serang Regency, Banten, although there are several things that still needs to be repaired for the betterment of the community in Tegal Maja Village, Banten. The current implementation of Fintech Peer to Peer Lending still has many obstacles, such as:

1. The lack of information and awareness in the village community regarding the role of Fintech Peer to Peer Lending in improving the welfare of the MSME community in Tegal Maja Village, Kragilan District, Serang Regency, Banten, has caused the bamboo craft business to not develop rapidly due to the lack of capital costs for the MSME community in Tegal Maja Village. Kragilan District, Serang Regency, Banten.
2. The lack of creativity and marketing in the Tegal Maja village MSME community in creating variations of handicrafts from bamboo, causing their marketing to be less competitive with craftsmen in big cities
3. It is hoped that Fintech Peer to Peer Lending will be the easiest and fastest financial institution solution in providing loans, so that according to the author, Fintech Peer to Peer Lending is the most suitable financial institution to help the MSME Community in Tegal Maja village to face the problem of lack of capital for perpetrators business in Tegal Maja Village, Banten.

EXPRESSING OF THANKING

The author would like to express his deepest gratitude to all parties involved in this service, including the community and officials of Tegal Maja Village and Serang Banten Regency government officials who accepted the proposal given and are expected to be able to make this happen.

REFERENCES

Copyright : Yovita , Rumbiati, Mar Syahid, Saputri Adiwijaya, Eva Yuniarti Utami

- Aaron, M., Rivadeneyra, F., Sohal, S., 2017. "Fintech: Is This Time Different? A Framework for Assessing Risks and Opportunities for Central Banks". Bankofcanada.ca : <https://www.bankofcanada.ca/2017/07/staff-discussion-paper-2017-10/>.
- Anam, K., 2024. "Fintech P2P Lending Kontribusi Rp 785 T ke Perekonomian". Cncbindonesia.com: <https://www.cncbindonesia.com/tech/20240307225223-37-520566/fintech-p2p-lending-kontribusi-rp-785-t-ke-perekonomian>.
- Andaiyani, S., Yunisvita, Tarmizi, N., 2020. Peran Financial Technology sebagai Alternatif Permodalan bagi UMKM di Desa Kerinjing, Kabupaten Ogan Ilir. *Sricommerce: Journal of Sriwijaya Community Services*, 1(2), 85-92.
- Aprita, S., 2021. Peranan Peer To Peer Lending Dalam Menyalurkan Pendanaan Pada Usaha Kecil dan Menengah. *Jurnal Hukum Samudra Keadilan*, 16(1),37-61
- Apriyani, 2019. "Demi UMKM, OJK Bertekad Dorong Pertumbuhan P2P Lending". Infobanknews.com : <https://infobanknews.com/demi-umkm-ojk-bertekad-dorong-pertumbuhan-p2p-lending/>.
- Beck, J.W., Schmidt, A.M., 2018. Negative Negative Relationships Between Self-Efficacy and Performance Can Be Adaptive: The Mediating Role of Resource Allocation. *Journal of Management University of Minnesota Twin Cities*, 44(2), 555-588.
- Benuf, K., Priyono, E.A., Mahmudah, S., Badriyah, S.M., Rahmanda, B., Soemarmi, A., 2020. Efektifitas Pengaturan dan Pengawasan Bisnis Financial Technology (Peer to Peer Lending) di Indonesia. *Jurnal Pandecta*, 15(2), 198-206.
- Coeckelbergh, M., Dupont, Q., Reijers, W., 2017. Towards a Philosophy of Financial Technologies. *Springer*,1-6.
- Fратиwi, A., 2021. Tinjauan Yuridis Transaksi Financial Technology di Indonesia. *Jurnal Media Law Of Sharia*, 2(4), 368-382.
- Kementerian Keuangan RI, 2023. "Artikel". Djpb.kemenkeu.go.id : <https://djpb.kemenkeu.go.id/kppn/lubuksikaping/id/data-publikasi/artikel/3134-kontribusi-umkm-dalam-perekonomianindonesia.html>
- Kurniaditama, I.G.K.A.A., Bagaskara, M.C., Aditya, T., Mahyuni, L.P., 2022. Edukasi Berbagai Alternatif Sumber Pendanaan bagi Pengembangan UMKM. *DINAMISIA: Jurnal Pengabdian Kepada Masyarakat*, 6(4),1023-1032.
- Kusuma, H., Asmoro, W.K., 2020. Perkembangan Financial Teknologi (FINTECH) Berdasarkan Perspektif Ekonomi Islam. *ISTITHMAR: Journal of Islamic Economic Development*, 4(2),141-163.
- Lidyah, R., Faliza, N., Basri, Fahrizal, E., Syofya, H., 2024. Fintech Education In Improving Msme Businesses For Women Farming Groups In Village Communities. *JAHE : Journal of Human And Education*, 4(1), 1-6.
- Mangkona, S., Aswirah, Wahyudin, 2023. TRANSFORMASI INDUSTRI KEUANGAN MELALUI PERKEMBANGAN TEKNOLOGI FINANSIAL (FINTECH): ANALISIS TANTANGAN DAN PELUANG. *Movere Journal*, 5(2), 297-304.
- Maulana, N., 2020. Strategi Pengendalian Dampak Sosial dan Ekonomi Pembangunan Pusat Perbelanjaan Modern: Studi Kasus di Kawasan Blok M Jakarta. *INOBIS: Jurnal Inovasi Bisnis dan Manajemen Indonesia*, 2(3), 419-432.
- Murdinar, H.E., Zidny, M.Z., Mangzilatul, 2023. Dampak Kebijakan Financial Technology di Indonesia. *Akuntabilitas: Jurnal Ilmu-Ilmu Ekonomi*, 15(1), 77-87.
- Nurmayanti, 2018. "Fintech Bisa Jadi Solusi Pembiayaan Usaha Mikro di Indonesia". Liputan6.com: <https://www.liputan6.com/bisnis/read/3643529/fintech-bisa-jadi-solusi-pembiayaan-usaha-mikro-di-indonesia?page=2>.
- Otoritas Jasa Keuangan, 2016. Otoritas Jasa Keuangan: Jakarta
- Prabowo, A., 2019. "Siaran Pers OJK Arahkan Fintech Lending Kembangkan UMKM". Ojk.go.id: <https://ojk.go.id/id/berita-dan-kegiatan/siaran-pers/Pages/Siaran-Pers-OJK-Arahkan-Fintech-Lending-Kembangkan-UMKM.aspx>
- Purwanti, T., 2023. "OJK Targetkan P2P Lending Kasih Kontribusi 70% Ke UMKM". Cncbindonesia.com: <https://www.cncbindonesia.com/market/20231130114827-17-493313/ojk-targetkan-p2p-lending-kasih-kontribusi-70-ke-umkm>

- Purwanto, H., Yandri, D., Yoga, M.P., 2022. Perkembangan dan Dampak Financial Technology (Fintech) Terhadap Perilaku Manajemen Keuangan di Masyarakat. *KOMPLEKSITAS: Jurnal Manajemen, Organisasi dan Bisnis*, 11(1), 80-91.
- Saputra, A.S., 2019. Perlindungan Terhadap Pemberi Pinjaman Selaku Konsumen dan Tanggung Jawab Penyelenggara Peer To Peer Lending Dalam Kegiatan Peer To Peer Lending di Indonesia. *Jurnal UNPAR*, 5(1), 238-261
- Wewege, L., 2016. *The Digital Banking Revolution. California: CreateSpace Independent Publishing Platform*. Create Space Independent Publishing Platform.