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ANALYSIS OF DEBTORS' PERCEPTIONS OF DIGITAL TRANSFORMATION USING ELECTRONIC MONEY IN ULTRA MICRO FINANCING

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Abstract

Ultra-Micro Financing is government policy to support micro business development. The process of fund distribution is done traditionally with cash. Since 2021, a limited trial of fund distribution applying electronic money has been carried out for three distributors. The purpose of the study is to analyze the debtor's perception of the digital transformation using electronic money in Ultra Micro Financing. Primary is data collected by a survey using questionnaire containing questions regarding the use of electronic money, the distribution of the questionnaire was carried out during January – March 2022, and the respondents were 74 Ultra Micro Financing debtors. Tools of analysis id descriptive analysis. The result shows that the debtor's perception of the distribution of Ultra Micro Financing using electronic money is very beneficial. However, the mass use of electronic money needs to consider the debtors' condition because the adaptability of the use of technology is quite low and requires assistance in its implementation. This research offers a new perspective on the use of electronic money in financing process. The research is limited to the debtors' perception using electronic money in Ultra Micro Financing. Future research is needed to encourage micro business development through marketplace to promote the products.

Keywords: ultra-micro finance, electronic money, digital, transformation

Introduction

The Government launched the Ultra Micro Financing program in 2017 to provide easy and fast access of financing. Ultra-Micro Financing is a complementary program which is a transition between the Government's Social Assistance program and the People's Business Credit (Kredit Usaha Rakyat - KUR). Ultra-Micro Financing is managed by the Government Investment Center (Pusat Investasi Pemerintah - PIP) and distributed to ultra-micro businesses through Non-Bank Financial Institutions (NBFI).

The objectives of Ultra Micro Financing are to provide easy and fast financing facilities for micro businesses, as well as increase the number of entrepreneurs who obtain financing facilities from the Government. The target of the Ultra Micro Financing program is micro-enterprises that meet the criterias such as not being financed by government credit program and citizens who are registered electronically.

PIP applies empowering and enhancing principles in Ultra Micro Financing distribution, which are strengthening existing institutions and not forming a new institution. Therefore, PIP cooperates with experienced NBFIs to distribute Ultra Micro Financing to micro businesses. There are two distribution schemes that can be implemented by NBFIs which act as Ultra Micro Financing Distributors, namely: a) direct distribution, distributors channel Ultra Micro Financing directly to micro business without intermediaries and b) indirect distribution, distributors channel Ultra Micro Financing through intermediaries which is called as linkage agencies on a business-to-business basis. The maximum allocation for Ultra Micro Financing per debtor is IDR 10 million and there is no maximum limit on the cumulative allocation. If the debtor has not been able to upgrade to KUR or commercial credit scheme, the debtor can make supplements or top up if the outstanding loan is not more than IDR 10 million.

Distributors and linkage agencies are required to provide assistance to Ultra Micro Financing debtors. Assistance can be in the form of providing motivation, business consultation, human resources capacity building, and supervision. Through assistance, debtors are expected to be able to utilize the financing appropriately so that they can increase the productivity. The process of distributing funds has followed the existing process in NBFI. The disbursement process is carried out in a traditional manner, as is the case with ordinary financing, from financing proposals to prospective debtors, appraisals, financing approvals, and transfers.

The development of financial technology has occurred and change rapidly. Technology provides financial transactions easier. Financial technology provides innovation in the form of service transformation from manual to digital which is called financial digitization. Digital financial transformation utilizes information technology as a tool to facilitate transactions (Rahmanto & Nasrulloh, 2019). The digital transformation of the financial sector provides services in four activities, such as savings and loans, payments/transfers, investments, and market aggregators (Hutajulu et al., 2019; Manan, 2019).

Today, the rapid digital financial transformation in Indonesia is financing. Digital financing is considered as the answer for society which is difficult to obtain loans from financial institutions (Kodriyah et al., 2018). The digital financing system brings together those who need funds and those who provide funds. Digital financing is considered easier than conventional financial institutions such as banks and financial institutions whose processes and requirements are more complex. Digital financing services provide online-based service, including electronic agreements, bills, installment payments through fund transfers with virtual accounts. Using this facility, the fulfillment of funding needs can be quickly met (He, 2017).

The rapid progress of digital finance is also influenced by changes in people's behavior, including the behavior of micro and small entrepreneurs. Digital finance provides positive and significant benefits for micro and small entrepreneurs (Putri & Benuf, 2020). Meanwhile, according to Gendro and Kusuma (2020), digital finance convenience does not increase the interest of micro and small entrepreneurs to use it. Furthermore, changes in the behavior of micro and small entrepreneurs using digital finance are also driven by a mobility restriction policy due to the Covid-19 pandemic which requires the use of technology in financial transactions (Sayekti, 2020). According to Schmutzler et al. (2021), the solution for entrepreneurs in the new normal era is integration, such as integration in digital financial payment systems. This integration can also be used by entrepreneurs in the market to sell their products more broadly (Ahlstrom et al., 2020).

The Covid-19 pandemic has had a significant impact on changes in business interactions. Mobility restrictions cause transactions to be carried out online using digital technology. According to Sugiarto (2020), digital finance plays an important role in this pandemic era. Meanwhile, micro-enterprises tend to transact using traditional business models and find it difficult to transact using digital finance. Digital finance is expected to improve the performance of micro entrepreneurs through collaboration between marketplace companies, finance companies, and payment system companies. Payment transfers for financial transactions can be done online with digital applications. Using online payment system with electronic money is considered safer than cash transactions (Tut, 2020). Digital finance provides opportunities for payment innovation, so that digital financing payments become competitors for banks in payment transaction services (Ozili, 2020). The rapid growth of digital financial payments such as GoPay, OVO, Dana, and others provide an alternative payment system for the public other than the banking payment system (Fu & Mishra, 2020).

The world's financial transformation is currently taking place from traditional finance to digital finance. The financial transformation is based on, first, the use of digital technology will improve production processes and efficiency. Second, people's dependence on information and communication technology in their activities. Third, social restrictions during the Covid-19 pandemic led to an increase information technology usage for communication. Fourth, the results of various studies that show a high correlation between the digital technology usage and world economic growth. Fifth, globalization is still needed by various countries to support the improvement of human welfare, so that digital finance in the future will become the backbone of connectivity and trade between countries (Sugiarto, 2020). The Covid-19 pandemic indirectly has a positive influence on transaction patterns between customers and entrepreneurs. Changes in people's shopping behavior using online shopping are due to restrictions on community mobility to reduce the spread of Covid-19. Increasing in online shopping led entrepreneurs to sell their products online (Annur, 2020). The digital financing needs to be prepared to deal with changes in people's behavior (Benuf, 2020). The importance of digital financing is in line with the research Gendro and Kusuma (2020) which shows an increase in small and medium entrepreneurs using digital financing for their business activities. The more useful it is for entrepreneurs, the more the digital financing usage will increase.

The digital financing is considered quite easy to use, but if the benefits are low, there will not many micro entrepreneurs are interested. Although there are some frauds in digital financing, this does not significantly affect micro-entrepreneurs to use it. Based on the research of Chang et al. (2020) shows that digital security has not been a consideration for the public because they do not feel the impact of cyber risks. For some entrepreneurs there is already awareness of the risks in using electronic money in digital financing, but the impact that has emerged has not discouraged entrepreneurs from taking advantage of digital financing (Schmutzler et al., 2021).

Changes in people's behavior in utilizing digital financing that encourages the Government to carry out digital transformation in Ultra Micro Financing. In 2021, three NBFI has been appointed to apply electronic money in the process of Ultra Micro Financing transfers. The purpose of using electronic money is to adapt to the digital financing business process and solution for interaction between debtors and NBFI during Covid-19 pandemic restriction policy. This study aims to determine the perception of debtors using electronic money in Ultra Micro Financing.

Research Methods

The research was conducted using a quantitative approach. The quantitative approach according to Sugiyono (2019) is a method for researching a particular population or sample and analyzing statistical data. The research population is Ultra Micro Financing debtors, while the sample is Ultra Micro Financing debtors which are divided into two categories:

1. Electronic Money Debtor
   Debtors of three NBFI which are Cooperatives that distribute Ultra Micro Financing using electronic money.
2. Common Debtor
   Debtors who do not use electronic money in the disbursement of Ultra Micro Financing.

The research data are primary and secondary data. Primary data was obtained through a questionnaire with closed questions with alternative answers to choose and open questions to find out respondents' responses beyond the answers provided. The questions in the questionnaire relate to the use of electronic money. Questionnaires were distributed through NBFI, whether appointed to distribute using electronic money or not, to be forwarded to the debtor. While secondary data are journals and articles related to the use of electronic money in the transaction process, both financing and other financial transactions.

Results and Discussions

Questionnaires were distributed through 22 NBFIs to Ultra Micro Financing debtors in 20 locations. There were 74 debtors who became respondents. The analysis in this research uses descriptive analysis which is divided into four parts. First, demographics of respondents which describes the respondents in the study. Second, the perception analysis of electronic money which analysis how respondents experience using of electronic money. Third, usage analysis of electronic money in the distribution of Ultra Micro Financing. Fourth, things that are needed in the Digital Transformation of Ultra Micro Financing.

1. Respondent Demographics
   a. Age
      The age of the debtors who became respondents mostly between 31 and 40 years about 28 people or 41%, followed by age group from 41 to 50 years as many as 25 people or 37%. For respondents age between 51 and 62 years 10 people (15%) and respondents age between 27 and 30 years 5 people (7%).
   b. Type of Business
      Based on the survey, as many as 33 people have culinary businesses, 26 are retailers, 11 are non-culinary businesses, and 4 are service businesses.
   c. Lenght of Business
      Most of the respondents (50%) have had a business for more than 6 years. 13 business respondents or 18% have a business between 4-6 years. As for those who have a business under 2 years and between 2-4 years each as much as 16%.

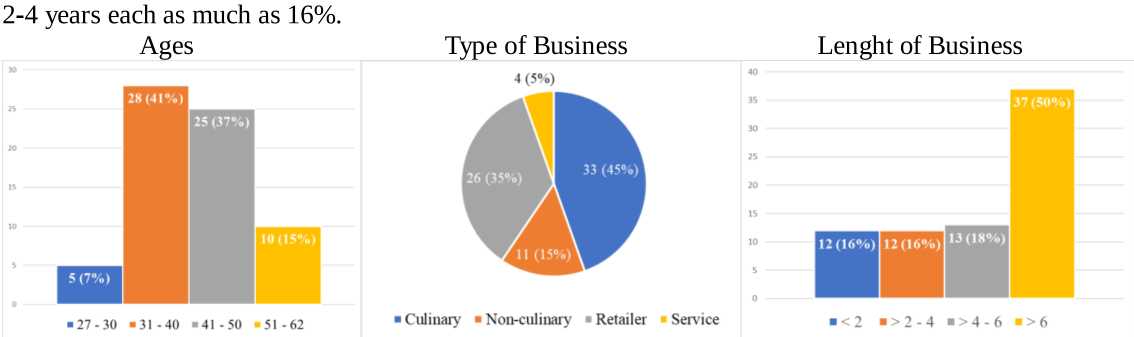

Fig. 1. Ages, Type of Business, and Length of Business

2. Perception Analysis of Electronic Money

The Electronic Money Perception section aims to determine the debtor's response to electronic money. The question related to the perception of electronic money was asked to all groups of respondents to compare the perceptions of each group of debtors. From the survey, 30 debtors are familiar with electronic money, including 8 of them feel very familiar with electronic money. About 36 debtors are not familiar with electronic money, where this number is more than debtors who feel familiar. Meanwhile, as many as 8 debtors are neutral in the use of electronic money. Several types of electronic money were mentioned by the debtor, there are three types of electronic money that are the most popular among debtors. Go-Pay is the most popular electronic money among debtors, with a frequency of 36 mentions. The second is Shopee Pay which was mentioned by 35 debtors. Finally, there are 25 OVO Cash debtors. As for the ease of use of electronic money, 39% of debtors' responses were found to be neutral, 41% of debtors stated that it was easy to use electronic money, and the remaining 20% felt that using electronic money was difficult and very difficult.

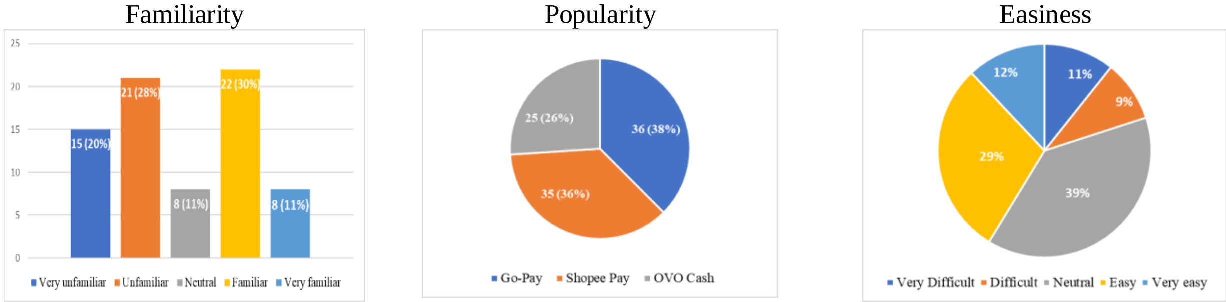

Fig. 2. Familiarity, Popularity dan Easiness

Based on the popularity of electronic money mentioned by Ultra Micro Financing debtors who are respondents, in general, all debtors on average know 1.73 types of electronic money. Debtors who participate in the Ultra Micro Financing Distribution program through electronic money (Electronic Money Debtors) have better awareness of the types of electronic money on the market, an average of 2.60 types of electronic money compared to Common Debtors who get an average of 1,67 types of electronic money. The difference in awareness between Electronic Money Debtors and Common Debtors may only be 1 electronic money, namely Link Aja. This shows that the digitization of Ultra Micro Financing through electronic money has a role in increasing the awareness of Ultra Micro Financing debtors but does not significantly make the debtor interested in knowing the types and benefits of electronic money.

3. Usage Analysis of Electronic Money in Ultra Micro Financing

For piloting, using electronic money for the distribution of Ultra Micro Financing was carried out by three NBFIs, namely the Annisa Cooperative Malang, the Bakti Huria Cooperative in Pare, and the BMT Mandiri Cooperative in Gresik. In general, each cooperative has distributed Ultra Micro Financing using electronic money. However, there are special policies implemented such as the Annisa Cooperative which limits the disbursement of financing through electronic money to a maximum of 50% of the financing allocation. This is a policy determined by the cooperative as an effort to introduce the use of electronic money to debtors.

In general, debtors feel that there are no significant obstacles related to the distribution process using electronic money. The limitations of the electronic money provider platform are a separate obstacle for debtors so that some Electronic Money Debtors use their electronic money to pay for the purchase of credit/data packages and electricity tokens. Cooperatives also take on the role of merchants, both in terms of topping up electronic money balances and for shopping. There is a potential mismatch between production goods needed by the debtor and consumptive goods. Debtors currently use their electronic money in the Cooperative to buy basic needs to meet the debtor's consumptive needs, which are greater than their business needs. At this stage, with the cooperative being active as a merchant, the Cooperative can collect data on the business needs of the debtor so that it can be fulfilled by the Cooperative while waiting for the expansion of merchants according to the needs of debtors in the area. However, the limitations of cooperatives in providing these goods will be hampered by the condition that prices must be able to compete with the location of the debtor's shopping. Many debtors claim that they get their products from the local wholesale market to get the lowest price. If the cooperative cannot become a provider of production goods at competitive prices, then the electronic money distributor, such as Link Aja, must be able to trace and match merchants according to the needs of the debtor to meet the needs of debtors who use Link Aja.

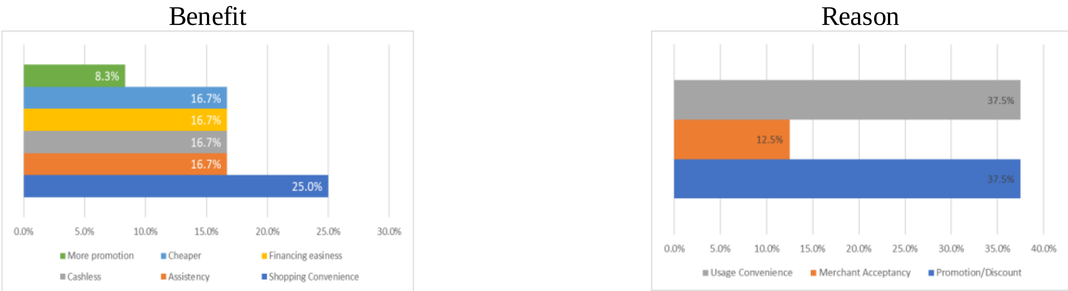

Fig. 3. Benefit dan Reason Using E-Money

The benefits that are most felt by debtors from disbursing Ultra Micro Financing using electronic money are that it is easier to shop (25%). Funds from the distribution of Ultra Micro Financing that enter the debtor's electronic money, can be directly spent by the debtor. In addition, Electronic Money Debtors also claimed to have received assistance if the distribution of Ultra Micro Financing used electronic money (16.7%). Electronic Money Debtors who have been able to take full advantage of electronic money because debtors do not have to bother carrying cash everywhere. In addition, debtors can also get promos such as discounts by shopping using electronic money.

Electronic Money Debtors also revealed that they will continue to use electronic money because they feel comfortable using electronic money. Electronic Money Debtors also feel that they always get promos or discounts, and in some areas, many merchants or shops have accepted electronic money. The convenience of using this electronic money should also be felt by other Ultra Micro Financing Debtors. The use of electronic money in general provides convenience for Debtors, but most of the Ultra Micro Financing Debtors are more accustomed to using cash, so they are reluctant to use electronic money.

4. Things that are needed in the Digital Transformation of Ultra Micro Financing

The digital transformation of Ultra Micro Financing, which is currently in the pilot phase at three NBFIs, shows that there are variations in debtor perceptions regarding the use of electronic money. In general, this piloting of Ultra Micro Financing has a positive impact on debtors. However, there are still several aspects that need to be considered in the use of electronic money as a distribution method used for all Ultra Micro Financing.

Apart from the digital transformation of Ultra Micro Financing distribution in the form of using electronic money as a response to the use of digital financial technology and distribution solutions during the Covid-19 pandemic, the digital transformation of Ultra Micro Financing cannot be implemented en masse. This is because there are characteristics of each debtor. The implementation of the use of electronic money also needs to consider the demographics of the debtors, most of whom are over 40 years and the level of adaptation of the debtors to technology. Debtors over the age of 40 are less adaptive in the use of technology. They are more comfortable using the traditional distribution model, namely using cash compared to using electronic money.

Electronic money providers must have a more active role, including tracing and matching merchants that are often used by debtors so that the use of electronic money can be more targeted. Cooperatives as channeling institutions can take on the role of merchants, but more in providing goods for the production needs of debtors and not limited to consumptive needs. PIP as the manager of Ultra Micro Financing can conduct training activities based on training of trainers to increase the knowledge of assistant officers in the field conveying information and programs related to the digital transformation of Ultra Micro Financing. PIP can also standardize the themes and topics of training or assistance needed by debtors in carrying out digital transformation of Ultra Micro Financing such as training activities on product packaging, branding, delivery, online store maintenance and other topics.

There is a tendency that the older generation has lower adaptability to digital readiness than the younger generation. This shows that at a certain age range, a barrier will be created that will be difficult for Ultra Micro Financing debtors to participate in the digital transformation of Ultra Micro Financing. The expansion of the range of training activities is not only limited to Ultra Micro Financing debtors, but also to debtor families/relatives who have the potential to either adapt to better technology or the willingness to help run the debtor's business online. Ultra-Micro Financing Debtors have children or relatives who are part of the younger generation and have better adaptability to digital readiness than the debtors themselves. This is a potential that can be utilized in the digital transformation of Ultra Micro Financing. The scope of training can even be extended to the village/district level to capture potential salespeople to market debtor products online from third parties, especially salespeople who still have close relationships with debtors as part of efforts to build trust in selling debtor's products online.

Conclusion

Ultra-Micro Financing is financing for micro business development from the Government of Indonesia. Ultra-Micro financing is channeled to ultra-micro entrepreneurs through NBFIs. So far, distribution is done traditionally with cash. Changes in people's behavior in utilizing digital financing encourage the Government to carry out digital transformation in Ultra Micro Financing. Since 2021, piloting of distribution using electronic money has been carried out for three NBFIs.

There were 74 debtors who became respondents. The results of the analysis show that most of the debtors are familiar and find it easy to use electronic money. However, there are some older respondents who find it difficult to adapt to electronic money technology. The use of electronic money in the distribution of Ultra Micro Financing is felt to be more beneficial for debtors. The biggest benefit is increasing convenience in shopping, although for shopping not only for productive needs but also for consumptive needs. Another benefit is the assistance from channeling institutions, especially in the use of electronic money.

However, the use of electronic money in the distribution of Ultra Micro Financing cannot be done en masse because there are several things that need to be considered. First, not all Ultra Micro Financing debtors are adaptive in the use of electronic money. Second, need assistance for debtors who are less adaptive. Third, the need to strengthen the ecosystem in the distribution of Ultra Micro Financing.

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