

The Influence Of Financial Institutions, Government And Digital Technology In The MSME**Pengaruh Lembaga Keuangan, Pemerintah, Dan Teknologi Digital Pada UMKM****Nur Khatik^{1*}, R. Ery Wibowo Agung Santosa²**Universitas Muhammadiyah Semarang^{1,2}nurkhatik@unimus.ac.id¹**Corresponding Author***ABSTRACT**

The purpose of this study was to find out how the influence of financial institutions, cooperative and SME cooperative services, and digital technology on increasing MSME businesses in Kendal Regency, the method used was the data analysis method with a questionnaire using a Likert scale 5 Multiple Linear Regression approach and the help of IBM SPSS software version 25. The results of this study indicate that financial institutions have a significant effect on MSME business development, trade and SME cooperative services have a significant effect on MSME business development, and digital technology has no effect on MSME business development in Kendal Regency.

Keywords: *Financial Institutions, Cooperative and SME Trade Office, Digital Technology, Increasing MSME business.*

ABSTRAK

Tujuan dari penelitian ini adalah untuk mengetahui bagaimana pengaruh lembaga keuangan, layanan koperasi perdagangan dan koperasi UKM, dan teknologi digital terhadap peningkatan bisnis UMKM di Kabupaten Kendal, metode yang digunakan adalah metode analisis data dengan kuesioner dengan pendekatan Regresi Linier Berganda skala Likert 5 dan bantuan software IBM SPSS versi 25. Hasil penelitian ini menunjukkan bahwa lembaga keuangan berpengaruh signifikan terhadap peningkatan usaha UMKM, dinas perdagangan dan koperasi UMKM berpengaruh signifikan terhadap peningkatan usaha UMKM, dan teknologi digital tidak berpengaruh terhadap peningkatan usaha UMKM di Kabupaten Kendal.

Kata Kunci: Lembaga Keuangan, Dinas Perdagangan Koperasi dan UKM, Teknologi Digital, Peningkatan Bisnis UMKM.

1. Pendahuluan

The increase or decrease in economic growth in Indonesia is influenced by various factors, including the involvement of MSMEs. Following the 1945 Constitution article 33 paragraph 4, MSMEs are part of an independent national economy and have great potential to improve community welfare and MSMEs have a significant role in the country's economic growth. Based on information from the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) in March 2021, the number of MSME players in Indonesia reached 64.2 million with a contribution to gross domestic product (GDP) of 61.07% or IDR 8,573.89 trillion. MSMEs can absorb 97% of the total labor force and can collect up to 60.42% of the total investment in Indonesia (Nurhaliza, 2022).

MSMEs can develop supported by various pieces of training for the development of more varied and quality products, supported also by training in marketing their products not only through sales of the line but by marketing online. Business development requires business capital for MSME actors, including providing loans by banks with cheaper interest rates and a faster process. Capital is one of the most frequently experienced MSME problems. The lack of MSME business capital causes production activities to be hampered, thereby reducing income (Luthfa, 2021).

OJK Board of Commissioners Tirta Segara said that currently there are still many problems faced by the MSME sector to improve, thus contributing more to the economy. "First, many MSMEs have not utilized digital technology, especially in marketing and market access," according to him, in line with the still 13 percent of MSMEs that have been connected to digital technology. The use of technology is considered important not only in promotion but also in the management of MSMEs. The second problem is access to financing or business capital. It is recorded that around 74 percent of MSMEs have not received access to financing, making it difficult for them to boost production scale. According to Tirta, the difficulty of access to capital occurs due to the complexity of procedures to the large number of documents that must be fulfilled in banks or financial service institutions. As a result, many are looking for alternative financing to the point of being entangled with loan sharks." Finally, the low quality and capability of human resources, many MSME players are still difficult to market, less innovative, difficult to manage to license, and unable to manage financial statements" (Intan, 2022).

Based on research states that bank loans affect the growth of MSMEs (Utami & Sujarweni, 2020). Further research that banks have an impact on the development of MSMEs (Meslier, Rehault, Sauviat, & Yuan, 2022). Banks have an impact on the growth of MSMEs (Sohag, Kliestik, Shams, Mariev, & Davidson, 2022). Government policies support the development of MSMEs (Wonglimpiyarat, 2016). Based on research conducted in the field, the role of the Gresik Regency Micro Business Cooperatives Office of Industry and Trade (Diskoperindag) as a facilitator is to help facilitate Micro Business actors in Manyar District to get stimulus assistance from the central government (Auliya & Arif, 2021). The research found that government policies support the development of MSMEs (Wonglimpiyarat, 2016). The role of the government cannot moderate the influence of business location on the income level of MSMEs, this is not following the initial hypothesis which states that the role of the government moderates the influence of business location on the income level of MSMEs (Rahmah, Kaukab, & Yuwono, 2020). In another study, it was stated that the higher the role of the government, the higher the business development (Tristiarto, Wahyudi, & Siswantini, 2021). Technology has a significant positive influence on the development of MSMEs" accepted. In addition, the direction of influence is positive, this proves that the greater the use of technology, the greater the development. (Berlilana, Utami, & Baihaqi, 2020). MSMEs have experienced an increase in sales because consumers are easy to interact directly with sellers and consumers also easy to get all information ranging from product prices, menus, promos, and so on (Febriyantoro & Arisandi, 2018). Research states that digital technology has an impact on the development of MSMEs (Chatterjee, Chaudhuri, Vrontis, & Thrassou, 2022).

Business development for MSMEs is very important, the role of the government, in this case, is the Trade Office of Cooperatives and SMEs, through various pieces of training both related to quality products, as well as other training that supports the productivity of MSMEs, financial institutions through banks are also very helpful in increasing business capital so that MSME actors can develop properly. MSME players must also be able to follow technological developments to be able to increase sales so that they can affect the income of MSME players.

The purpose of the study proves empirically the influence of Financial Institutions on the increase of MSME business, empirically prove the influence of Trade and SME Services on the improvement of MSME business, and how the influence of Digital Technology on the increase of MSME business in Kendal Regency. Because this research can motivate MSME actors to continue to develop their businesses.

Capital is one of the most frequently experienced MSME problems, the lack of MSME business capital causes production operational activities to be hampered which will affect income. MSME actors, in this case, will look for loans for capital from financial institutions, which can be banks or cooperatives, and sometimes often fail and apply for loans because they

do not meet the requirements of banks or cooperatives. This is what makes MSME business actors unable to operate anymore. The role of the government, in this case, is that the Department of Trade, Cooperatives, and SMEs are needed by MSME actors in increasing knowledge about business development through training, both related to products and how to make simple bookkeeping for MSME actors. Most micro, small, and medium business owners do not have enough knowledge on how to grow a business. They also only focus on the production process without trying to improve product quality.

There is still a lack of understanding of digital technology MSME players, so they have not been able to maximize sales which affect the potential profit. In this case, there must be awareness from MSME actors, in addition to encouragement from other parties and the government.

2. Tinjauan Pustaka

Financial Institutions

Definition Financial institutions are official bodies in charge of providing products and facilities in the financial field, and also turning the flow of money in the economic system. In general, the task of financial institutions is to include the process of collecting funds from the community, then distributing them back to the community. But there is also only one of them (NISP, 2022). In Wikipedia, a financial institution can be defined as a business entity whose main assets are in the form of financial assets or bills that can be stocks, bonds, and loans, rather than in the form of real assets such as buildings, equipment, and raw materials. In general, financial institutions are indispensable in the modern economy because of their function as mediators between groups of people who are overfunded and groups of people who need funds. According to Law Number 14 of 1967 concerning Banking Principles, it is explained that what is meant by financial institutions are all entities that through activities in the financial sector attract funds from the public and channel them back to the public. In the Decree of the Minister of Finance Number 792 of 1990 concerning Financial Institutions, financial institutions are given restrictions as institutions engaged in finance whose activities are collecting and distributing public funds, especially for corporate investment. In addition, financial institutions also offer other financial services such as insurance, fund transfers, and storage of valuables (Wikipedia, 2019).

A financial institution can be defined as an institution or business entity that offers services in the financial sector by collecting funds from the public and using them in the form of other financial assets. Financial institutions cover a wide range of business operations within the financial services sector including banks, trust companies, insurance companies, brokerage firms, and traders. In Indonesia, these financial institutions are divided into 2 groups, namely bank financial institutions and non-bank financial institutions (insurance, pawnshops, pension funds, mutual funds, and stock exchanges) (Jurnal, 2022). But in this study, the financial institutions used are bank financial institutions, which can also include cooperatives.

Financial institutions serve many people in many ways. Since financial operations are an important part of any economy, individuals and companies rely on financial institutions for transactions and investments. The function of a financial institution is to provide services as an intermediary between the owner of the capital and the debt market who is responsible for distributing funds from investors to companies that need these funds. The importance of financial institutions can help business actors, both small and large companies, including MSME owners. Then a hypothesis can be made:

H1: Financial Institutions have a positive effect on increasing MSME business

Department of Trade, Cooperatives, and SMEs

Referring to Regional Regulation No. 17 of 2011 that the position of the Office of Cooperatives, Micro, Small, and Medium Enterprises of Kendal Regency is the implementing elements of the Regional Government with the task of assisting the Regent to coordinate policy formulation and coordination of the implementation of the empowerment of Cooperatives and MSMEs. The position of the Trade, Cooperatives, and SMEs Office: 1. The Office of Cooperatives, Micro, Small, and Medium Enterprises is the implementing element of regional autonomy in the field of cooperatives, micro, small and medium enterprises. 2. The Office of Cooperatives, Micro, Small, and Medium Enterprises is headed by a Head of Service, who in carrying out his duties is subordinate to and responsible to the Regent through the Regional Secretary (Dinperinkop, 2016).

The role of the Trade, Cooperatives, and SMEs Office is expected to help increase the productivity of MSME actors. MSME players play a very important role in influencing the economy. The government through the Cooperatives and SMEs Office contributes in many ways including through training in terms of production as well as in bookkeeping training and, management and marketing. In this study, how the government's influence in this case was represented by the Trade, Cooperatives and MSMEs Office in increasing MSME business in Kendal Regency, Indonesia can be seen as follows:

H2: The Department of Trade, Cooperatives, and SMEs has a positive effect on increasing MSME business.

Digital Technology

Digital technology greatly influences the progress of MSMEs both in terms of information on products and in terms of marketing products. The role of Digital Technology in improving productivity and performance in Small and Medium Enterprises (Papadopoulos, Baltas, & Balta, 2020). The use of digital technology affects the future of micro-businesses (Reuschke, Mason, & Syrett, 2021) Digital technology is a technology whose operating system runs automatically using a computerized system. Digital technology is just a very fast counting system that processes all forms of information as numerical values or digital codes (Pintar, 2022). Digital technology is a technology that uses a computerized system to ensure that an operating system can run automatically. This is the main difference between digital and analog technologies. The origin of the need for digital technology is only limited to calculating and processing information into a code called an enigma (Signature, 2022). Digital technology plays an important role in the development of MSMEs, provides many benefits through access to MSME products, and can improve MSME businesses, so the following hypotheses can be made:

H3: Digital Technology has a positive impact on improving MSME business

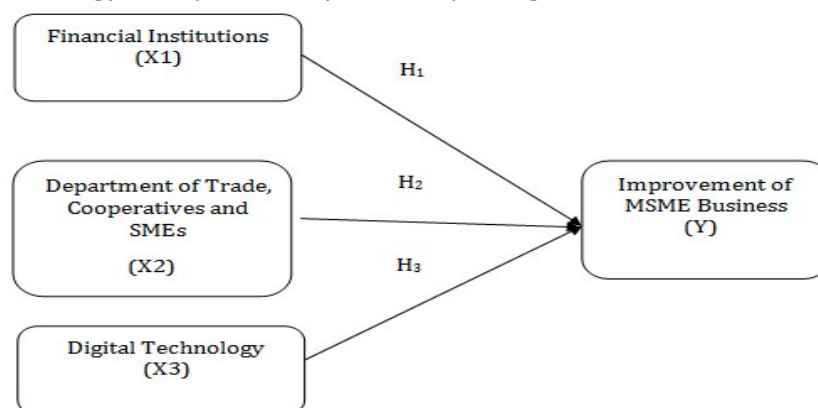


Figure 1. Empirical Model

3. Metode Penelitian

The population in this study is all MSME actors in Kendal Regency. The sample in this study is active MSME actors in Kendal Regency, who have used information technology, both using social media such as Facebook, Instagram, Twitter, YouTube, and so on, then using chat platforms such as Whatsapp, and line or MSME players using personal website media or in marketplaces such as Bukalapak, Tokopedia, Shopee and so on. The study used primary data obtained through the distribution of questionnaires based on scala Likert 5 with google forms, as well as observations. The number of samples in the study amounted to 100 MSME actors in Kendal Regency. The data used in this study are primary data with questionnaires. Primary data is in the form of individual or group opinions of subjects about variables related to research (Sugiyono, 2017). This study used a data analysis method with a Multiple Linear Regression approach with the help of IBM SPSS software version 25.

4. Hasil Dan Pembahasan

The Validity Test

The purpose of conducting a validity test is to find out the extent of the accuracy of a measuring instrument in performing its measuring function. A measuring instrument is said to have high validity if the Pearson correlation (r count) result for each question item of each variable is greater than the r table value (0.1966). The results of the test of the four variables consisting of Financial Institutions (X1), the Office of Trade Cooperatives and SMEs (X2), Digital Technology (X3), and MSME Business Improvement (Y) all indicators of the question have a greater r calculations value than the r table so that it can be concluded that all indicators are declared valid.

Table 1. Validity and Reliability Test

Constructs	Items	Loadings	Alpha
Financial Institution	X1.1	0.664	0.760
	X2.1	0.651	
	X3.1	0.660	
	X4.1	0.706	
	X5.1	0.686	
	X6.1	0.626	
	X7.1	0.653	
	X8.1	0.366	
	X9.1	0.386	
Department of Trade, Cooperatives, and SMEs	X1.2	0.760	0.905
	X2.2	0.683	
	X3.2	0.588	
	X4.2	0.804	
	X5.2	0.831	
	X6.2	0.772	
	X7.2	0.829	
	X8.2	0.744	
	X9.2	0.781	
Digital Technology	X1.3	0.727	0.920
	X2.3	0.833	
	X3.3	0.846	
	X4.3	0.788	
	X5.3	0.705	

	X6.3	0.844	
	X7.3	0.844	
	X8.3	0.865	
	X9.3	0.649	
MSME Business Improvement	Y1.1	0.641	0.881
	Y2.1	0.740	
	Y3.1	0.730	
	Y4.1	0.806	
	Y5.1	0.811	
	Y6.1	0.722	
	Y7.1	0.678	
	Y8.1	0.763	
	Y9.1	0.578	

Source: The Processed Secondary Data (2023)

Structural Model

The Statistical Test t is a test performed to test whether or not an independent variable partially has a significant relationship to a dependent variable.

Table 2. T-test

Coefficients ^a					
Type	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.003	.004		.582	.562
TRANSFORMX1	.325	.088	.361	3.670	.000
TRANSFORMX2	.581	.106	.565	5.470	.000
TRANSFORMX3	-6.58E-04	.000	-.037	-.427	.670

a. Dependent Variable: TRANSFORMS

Source: The Processed Secondary Data (2023)

Based on the information presented in Table 2, the researcher can draw the following conclusions: The result of partial testing of the first hypothesis of the significant value of the Financial Institution variable (X1) is 0.000. The result of the partial test of the second hypothesis, the significance value of the variable of the Department of Trade Cooperatives and SMEs (X2) is 0.000. The third partial test result, the significance value of the Digital Technology variable (X3) is 0.670.

Discussion

The result of partial testing of the first hypothesis of the significant value of the Financial Institution variable (X1) is 0.000. The significance value is smaller than the level of significance, which is 0.05 or $0.00 < 0.05$, from these results it can be concluded that the Financial Institution variable (X1) has a positive and significant effect on the Increase of MSME Business. So the first hypothesis is accepted. Research by Utami & Sujarweni (2020), that bank loans affect the growth of MSMEs (Utami & Sujarweni, 2020). In line with research that banks have an impact on the development of MSMEs (Meslier et al., 2022), banks have an impact on the growth of MSMEs. (Sohag et al., 2022), according to research that bank lending has a strong impact on MSMEs. (Disli, Aysan, & Abdelsalam, 2022; Guo, Lin, & Ouyang, 2022; Yu, Peng, Shi, & Yang, 2022).

The result of the partial test of the second hypothesis, the significance value of the variable of the Department of Trade Cooperatives and SMEs (X2) is 0.000. The significance value is smaller than the significance level of 0.05 or $0.00 < 0.05$, from these results it can be concluded that the variables of the Cooperatives and SMEs Trade Service (X2) have a positive

and significant effect on the Increase of MSME Business. So the second hypothesis is accepted. This is comparable to other studies mentioning that the higher the role of the government, the higher the business development. Tristiarto et al., (2021), as well as stated that government policies support the development of MSMEs (Chen, Cheng, Gong, & Li, 2022; Nguyen, Verreyne, Steen, & de Oliveira, 2023; Takeda, Truong, & Sonobe, 2022; Wonglimpiyarat, 2016; Zhong, Yang, Zillmann, & Cao, 2022).

The third partial test result, the significance value of the Digital Technology variable (X3) is 0.670. The significance value is greater than the significance level of 0.05 or $0.670 > 0.05$, from these results it can be concluded that the Digital Technology (X3) variable does not affect the Increase of MSME Business. So it can be concluded that the third hypothesis is rejected. The results of this study are contrary to Berlilana, et al (2020), the greater the use of technology, the greater the development. Berlilana, et al (2020), it is also contrary to research that digital technology has an impact on the development of MSMEs (Agyekum, Reddy, Wallace, & Wellalage, 2022; Chatterjee et al., 2022).

5. Penutup Kesimpulan

From the test results, it can be concluded that financial institutions, cooperative trade offices, and SMEs have a significant effect on increasing MSME business in Kendal district while technology digital shows no effect on business improvement. It can be said that the role of the government is very helpful in developing businesses through training conducted by cooperatives and SMEs, which can affect productivity which later affects sales that can increase. Likewise, the role of financial institutions is very influential in business development through Bank loans. Government support, in this case, is from the Trade Office, Cooperatives, and SMEs, as well as from financial institutions that are very concerned about the improvement and development of MSME businesses, which will indirectly affect the economy in Indonesia. This research still has many shortcomings, the MSMEs studied for business types are still not specified, meaning they do not see the same business field. For further research, it can include innovation variables as well as family ownership variables that can also affect the business development.

Daftar Pustaka

- Agyekum, F. K., Reddy, K., Wallace, D., & Wellalage, N. H. (2022). Does technological inclusion promote financial inclusion among SMEs? Evidence from South-East Asian (SEA) countries. *Global Finance Journal*, 53, 100618.
- Auliya, A. N., & Arif, L. (2021). Peran dinas koperasi usaha mikro perindustrian dan perdagangan dalam penanganan dampak pandemi covid-19 pada usaha mikro di kabupaten gresik. *Jurnal Reformasi Administrasi: Jurnal Ilmiah Untuk Mewujudkan Masyarakat Madani*, 8(1), 22–31.
- Berlilana, B., Utami, R., & Baihaqi, W. M. (2020). Pengaruh Teknologi Informasi Revolusi industri 4.0 terhadap perkembangan UMKM sektor industri pengolahan. *Matrix: Jurnal Manajemen Teknologi Dan Informatika*, 10(3), 87–93.
- Chatterjee, S., Chaudhuri, R., Vrontis, D., & Thrassou, A. (2022). SME entrepreneurship and digitalization—the potentialities and moderating role of demographic factors. *Technological Forecasting and Social Change*, 179, 121648.
- Chen, J., Cheng, Z., Gong, R. K., & Li, J. (2022). Riding out the covid-19 storm: How government policies affect smes in china. *China Economic Review*, 75, 101831.
- Dinperinkop. (2016). Dinas Perindustrian, Koperasi, Usaha Kecil dan Menengah.
- Disli, M., Aysan, A. F., & Abdelsalam, O. (2022). Favoring the small and the plenty: Islamic banking for MSMEs. *Economic Systems*, 101051.

- Febriyantoro, M. T., & Arisandi, D. (2018). Pemanfaatan digital marketing bagi usaha mikro, kecil dan menengah pada era masyarakat ekonomi ASEAN. *JMD: Jurnal Riset Manajemen & Bisnis Dewantara*, 1(2), 61–76.
- Guo, S., Lin, G., & Ouyang, A. Y. (2022). Are pro-SME credit policies effective? Evidence from shadow banking in China. *Economic Modelling*, 106115.
- Intan, N. (2022). OJK Ungkap Tiga Masalah UMKM Belum Bisa Naik Kelas.
- Jurnal, M. (2022). Apa yang dimaksud dengan Lembaga Keuangan? Retrieved from Jurnal Entrepreneur website: <https://www.jurnal.id/id/blog/apa-yang-dimaksud-dengan-lembaga-keuangan/>
- Luthfa. (2021). Masalah UMKM dan Solusinya.
- Meslier, C., Rehault, P.-N., Sauviat, A., & Yuan, D. (2022). Benefits of local banking in local economic development: Disparities between micro firms and other SMEs. *Journal of Banking & Finance*, 143, 106594.
- Nguyen, T., Verreyne, M.-L., Steen, J., & de Oliveira, R. T. (2023). Government support versus international knowledge: Investigating innovations from emerging-market small and medium enterprises. *Journal of Business Research*, 154, 113305.
- NISP, O. (2022). Lembaga Keuangan: Pengertian, Jenis, dan Contohnya.
- Nurhaliza, S. (2022). Begini Pentingnya Peran UMKM dalam Perekonomian Indonesia!
- Papadopoulos, T., Baltas, K. N., & Balta, M. E. (2020). The use of digital technologies by small and medium enterprises during COVID-19: Implications for theory and practice. *International Journal of Information Management*, 55, 102192.
- Pintar, K. (2022). <https://www.kelaspintar.id/blog/edutech/apa-yang-dimaksud-teknologi-digital-6587/>.
- Rahmah, I., Kaukab, M. E., & Yuwono, W. (2020). Peran Pemerintah dalam Meningkatkan Pendapatan UMKM. *JURNAL CAPITAL: Kebijakan Ekonomi, Manajemen Dan Akuntansi*, 2(2), 30–50.
- Reuschke, D., Mason, C., & Syrett, S. (2021). Digital futures of small businesses and entrepreneurial opportunity. *Futures*, 128, 102714.
- Signature, A. D. (2022). Bagaimana Transformasi Teknologi Digital dalam Dunia Bisnis.
- Sohag, K., Kliestik, T., Shams, S. M. R., Mariev, O., & Davidson, N. (2022). Capital market deepening, Governor's characteristics and Russian regional enterprises: A big data analysis. *Journal of Business Research*, 149, 340–352.
- Takeda, A., Truong, H. T., & Sonobe, T. (2022). The impacts of the COVID-19 pandemic on micro, small, and medium enterprises in Asia and their digitalization responses. *Journal of Asian Economics*, 82, 101533.
- Tristiarto, Y., Wahyudi, W., & Siswantini, T. (2021). Analisis Peran Pemerintah, Inovasi dan Literasi Keuangan Terhadap Pengembangan Usaha Kecil dan Menengah. *IKRAITH-EKONOMIKA*, 4(1), 143–152.
- Utami, L. R., & Sujarweni, V. W. (2020). Peran lembaga keuangan terhadap pertumbuhan usaha mikro kecil dan menengah (studi kasus di Kota Yogyakarta). *Monex: Journal of Accounting Research*, 9(1), 86–96.
- Wikipedia. (2019). Lembaga Keuangan.
- Wonglimpiyarat, J. (2016). Challenges for China's banks: Investment policies to support technology-based start-ups. *Technology in Society*, 46, 49–57.
- Yu, J., Peng, F., Shi, X., & Yang, L. (2022). Impact of credit guarantee on firm performance: Evidence from China's SMEs. *Economic Analysis and Policy*, 75, 624–636.
- Zhong, Y., Yang, T., Zillmann, S., & Cao, B. (2022). The role of government regulatory policies in financing capital-constrained retailers under competition. *Transportation Research Part E: Logistics and Transportation Review*, 157, 102572.