

THE EFFECT OF MSME CREDIT RESTRUCTURING, FINANCIAL TECHNOLOGY (FINTECH) INCLUSIVITY AND MSME COMPETITIVE ADVANTAGE ON MSME FINANCIAL PERFORMANCE IN THE NEW NORMAL PERIOD

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ARTICLE INFO

Keywords:

MSME financial performance,
MSME's competitive advantage,
Financial technology (Fintech)
inclusiveness,
Credit restructuring

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ABSTRACT

This research is quantitative to know the effect of MSME credit restructuring, financial technology (Fintech) inclusiveness, and MSME competitive advantage on MSME financial performance. The research object in this study is MSME actors divided into MSME centres in Serang City and District, Banten Province. The Partial Least Square Analysis method is an analytical technique used in this study. The study results show that: 1) Credit restructuring has a positive and significant effect on financial performance, 2) Financial technology inclusiveness has a positive and significant effect on financial performance, 3) Competitive advantage has a positive but not significant effect on financial performance.

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1. INTRODUCTION

Covid-19 has had a social and economic impact on the MSME sector in Indonesia. Many MSMEs experience obstacles in paying off loans, difficulty meeting the needs of production factors such as raw materials, business capital needs, employee salary payments, and hampered economic activity due to various policies limiting community interaction. In May 2020, during the initial period of the Covid-19 pandemic, it showed that 94.69% of businesses experienced a decrease in sales volume. Based on the scale of MSME businesses, the decline in sales of more than 75% was experienced by 49.01% of ultra-micro businesses, 43.3% of micro-enterprises, 40% of small businesses and 45.83% of medium enterprises [1].

The decline in sales volume impacts MSMEs' difficulties in managing their balance sheets during the pandemic. Of the 7.53 million debtors affected by Covid-19, 5.84 million are debtors from the MSME sector. The efforts made by the Government in overcoming difficulties in paying off MSME loan loans are by restructuring loans. In December 2020, the number of restructured loans by the banking sector was Rp. 1,098.63 T or 20.04% of the total loans disbursed by banks [2].

The previous research study discussing the effect of credit restructuring on the financial performance of 44 MSMEs in the city of Bandung stated that they felt the benefits of credit restructuring for MSMEs affected by Covid-19 (Winardi, 2021). Credit restructuring plays a role in helping MSMEs affected by Covid-19 who have difficulty paying loans and are carried out selectively by financial institutions to maintain financial stability (Financial Services Authority, 2020). The first H hypothesis that will be tested in the study is as follows, namely H1: The Effect of MSME Credit Restructuring on the Financial Performance of MSMEs in the New Normal Period.

One of the efforts to recover the national economy initiated by the Fintech industry is by issuing initiatives for MSMEs such as providing free transfers, reducing costs and interest rates, to financial management consultations for MSMEs to reduce the economic impact due to Covid-19. The APTECH survey noted that there were a total of 55 initiatives from 52 Fintech companies targeting the general public (47.43%), MSMEs (45.4%), the Government (5.5%) and others (1.8%) (Indonesian FinTech Association, 2020). Previous research that discussed the influence of Fintech on the financial performance of MSMEs stated that Fintech affects the financial performance of MSMEs in the food and beverage sector in Malang

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[6]. The following hypothesis that will be tested is H2: The Effect of *Financial Technology* (Fintech) Inclusivity on the Financial Performance of MSMEs in the New Normal Period

IMD World Competitiveness Center reported that based on economic performance during 2021, Indonesia's competitiveness ranking is ranked 35th, which has decreased compared to the 2020 period, which was ranked [7]. The decline in Indonesia's competitiveness due to the shock of the Covid-19 pandemic has resulted in a sluggish business climate, significantly affecting the MSME sector, the largest sector in the Indonesian economy.

Amid unsatisfactory economic performance, Indonesia demands that MSMEs can adapt to survive and have competitiveness during this new average period. As many as 74.42% of MSME players feel that the competition is fierce among MSME players due to the increasing number of MSMEs and the use of digital media as a sales medium during the Covid-19 pandemic [8]. The next hypothesis that will be tested is H3: The Effect of MSME Competitive Advantage on MSME Financial Performance in the New Normal Period

2. METHOD

The research will be carried out using a quantitative approach with a survey method. Data analysis was carried out using Partial Least Square (PLS). For the sampling method where the specified research respondents were 57 MSMEs. The research location is located in Serang City and Regency by targeting MSME actors in MSME centres in the region. The 57 MSMEs are MSMEs affected by Covid-19 and received capital assistance from financial institutions

3. RESULT AND DISCUSSION

Descriptive Analysis of Research Objects

This research was conducted on 57 MSMEs in various MSME centres in Serang City and Serang Regency, Banten Province. The research respondents were 57 MSMEs representing various MSME actors affected by Covid-19.

1. Respondents' Characteristics by Gender

Table 1.
Gender

	Sum	Percentage
Man	21	36,8
Woman	36	63,2
Total	57	100,0

From the table above, it can be seen that most of the respondents are male. Namely 21 people (36.8%) and women are 36 (63.2%).

2. Characteristics of Respondents based on the Age of MSME Owners

Table 2.
Age of MSME Owner

	Sum	Percentage
17 to 22 Years	7	12,3
23 to 30 Years	13	22,8
31 to 40 Years	21	36,8
More than 40 Years	16	28,1
Total	57	100,0

Based on the age of MSME owners, there were 7 respondents (12.3%) aged 17 to 22 years, 13 respondents (22.8%), 31 to 40 years (36.8%) and more than 40 years old, totalling 16 respondents (28.1%).

3. Characteristics of Respondents by Business Field

Table 3.
MSME Business Sector

	Sum	Percentage
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Culinary Field	49	86,0
Fashion Field	6	10,5
Creative Product Field	2	3,5
Total	57	100,0

Based on the table above, it is known that most of the respondents, namely most of the respondents, 49 people (86%) are engaged in culinary Business, then 6 respondents (10.5%), and finally those who have businesses in the field of innovative products are 2 people (3.5%).

4. Characteristics of Respondents based on MSME Business Fields

Table 4
When was the Business Established

	Sum	Percentage
Less than Three Years	27	47,4
3 to 5 Years	14	24,6
5 to 10 Years	13	22,8
More than 10 Years	3	5,3
Total	57	100,0

Judging from the length of time the Business was established by MSMEs, as many as 27 respondents (47.4%) established a business for less than three years, a business standing for 3 to 5 years as many as 14 respondents (24.6%), a business standing 5 to 10 years totalling 13 people (22.8%), and finally there were 3 respondents (5.3%) who had been running a business for more than 10 years.

5. Characteristics of Respondents by Number of Employees

Table 5
Number of Employees owned

	Sum	Percentage
1 to 4 people	47	82,5
5 to 10 people	8	14,0
21 to 99 people	2	3,5
Total	57	100,0

If based on the number of employees owned by MSMEs, most of the 47 respondents (82.5%) have employees of 1 to 4 people, then 5 to 10 people totalling 8 people (14%), then 21 to 99 people totalling 2 people (3.5%).

6. Characteristics of Respondents based on Sales Turnover

Table 6
Sales turnover (For the past 2 years during the pandemic)

	Sum	Percentage
< 5 Million	21	36,8
5 to 10 million	13	22,8
10 to 15 million	9	15,8
15 to 20 million	6	10,5
20 to 50 million	4	7,0
50 to 100 million	3	5,3
Over 1 Billion	1	1,8
Total	57	100,0

During the Covid-19 pandemic, based on sales turnover, most of them had less than 5 million incomes. There were 21 respondents (36.8%), then there were several respondents who had a sales turnover of 5 to 10 million, there were 13 people (22.8%), and those who had a turnover of more than 1 billion only amounted to 1 person (1.8%).

7. Characteristics of Respondents in the Use of *Financial Technology*

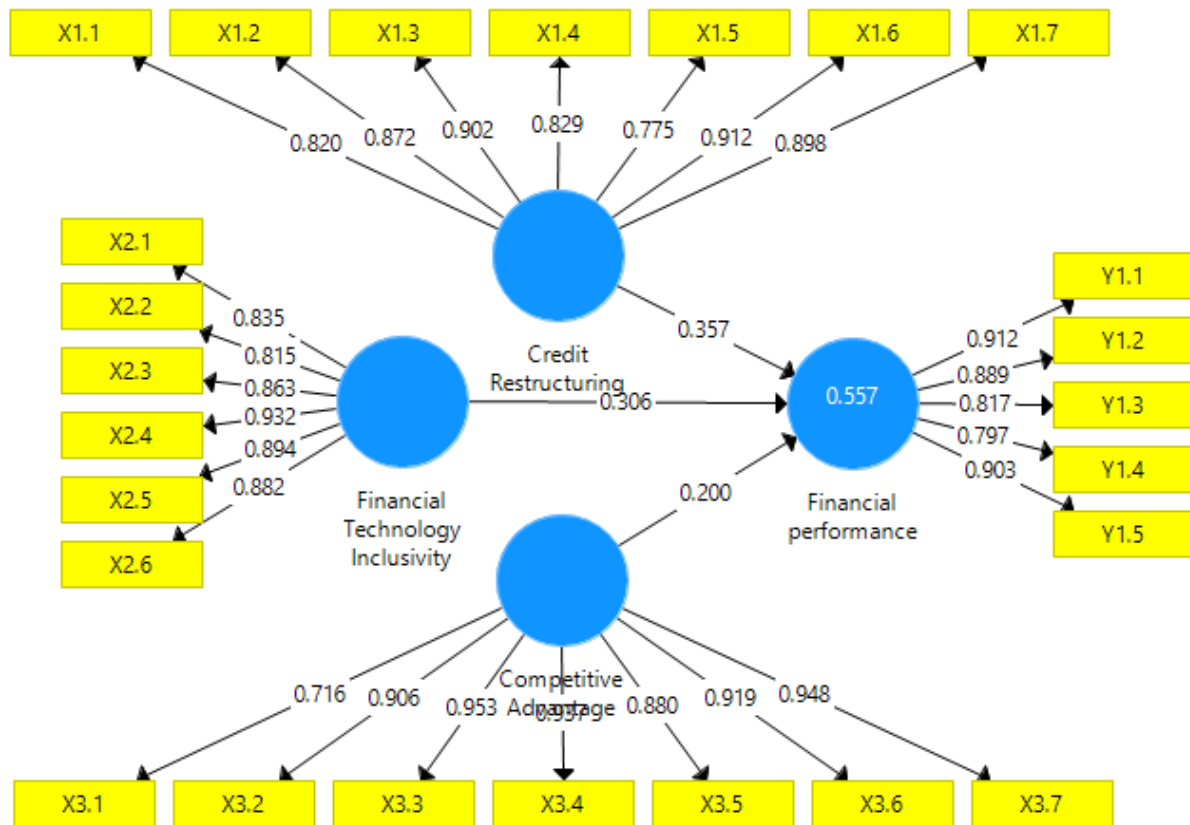
Table 7
Use of Financial Technology in One Week

	Sum	Percentage
Less than five times	30	52,6
5 to 10 Times	11	19,3
More than 10 times	16	28,1
Total	57	100,0

Based on the use of *Financial Technology*, MSME players who were respondents in this study used less than five times in one week totalling 30 people (52.6%), then used 5 to 10 times, totalling 11 people (19.3%), and then 16 respondents (28.1%) used more than 10 fintech in one week.

Outer Model Results

The SEM *SmartPLS* test analysis in this study was used to determine the relationship between Credit Restructuring, Financial Technology Inclusivity, Competitive Advantage and Financial Performance of MSMEs. The results of the SEM *Smart PLS* model analysis are as follows:



Picture. 1
Model Analysis Results

Based on Figure.1 the results of the *SmartPLS* analysis show that the *loading factor* for the credit restructuring constructs, Financial Technology Inclusivity, Competitive Advantage and Financial Performance of MSMEs is above the required 0.5 to 0.6. Based on the analysis results, it is known that all items have a *loading factor* value greater than 0.5 so that all credit restructuring constructs, financial technology inclusivity, competitive advantage and financial performance of MSMEs have good validity.

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Furthermore, the measure of reliability can be done by looking at the values of *Composite Reliability* and *Average Variance Extracted (AVE)* if the *Composite Reliability* value between the construct and its indicators gives a good result above 0.70 and the AVE above 0.50. *Composite Reliability* and AVE results can be seen in table 1 below.

Table. 8
Cronbach's Alpha, Composite And
Average Variance Extracted (AVE)

Variable	Cronbach's Alpha	Composite Reliability	Ave
Credit Restructuring (X1)	0.941	0.952	0,739
Financial Technology Inclusivity (X2)	0.937	0.949	0,759
Competitive Advantage (X3)	0.959	0,971	0,805
Financial Performance (Y)	0.915	0.937	0.748

Source: Research results processed

Table 8 above shows that composite reliability and AVE are constructed well from Cronbach's Alpha results. The value refers to Chin's opinion, so the results of *the composite reliability* of each construct are good and can be used in the analysis process to show whether there is a relationship in each construct since the result obtained has a value of > 0.70 and $AVE > 0.50$. From the results above, all variables have a *composite reliability* value of > 0.70 and an *average variance of* > 0.05 , meaning that it has a good reliability value and *average variance extracted* and can be used for the following research process.

Hypothesis Test

To answer the research hypothesis, you can see *the following P values* :

Table. 9
Result For Inner Weights

Correlation	Original Sample (O)	Sample Mean (M)	Standard Deviation	T. Statistics	P Values
<i>Credit Restructuring-Financial Performance</i>	0,357	0,350	0,130	2,736	0,006
<i>Financial Technology Inclusivity - Financial Performance</i>	0.306	0,313	0,123	2.501	0.013
<i>Competitive Advantage - Financial Performance</i>	0,200	0,206	0,165	1,214	0,225

Source: Research results processed

By Table. The above 9 regarding hypothesis testing can be explained that:

1. The result of hypothesis testing on the direction of the influence of the credit restructuring variable on financial performance was 0.357, as shown by its path coefficient. Judging from the T grade. The statistics of 2,736 is greater than $t_{\text{of table}} 1,985$ and P. A value of 0.006 is less than the probability value of 0.05 or a value ($0.006 > 0.05$) means it is significant. This means that there is an effect of credit restructuring on positive and significant financial performance.
2. The results of hypothesis testing on the direction of the influence of *financial technology* inclusivity variables on financial performance are 0.306, as shown by the path coefficient. Judging from the T grade. The statistics of 2,501 is greater than $t_{\text{of table}} 1,985$ and P. A value of 0.013 is less than a probability value of 0.05 or a value ($0.013 > 0.05$) means it is significant. This means that there is an influence of *financial technology* inclusivity on positive and significant financial performance.

The result of hypothesis testing on the direction of the influence of the variable of competitive advantage on financial performance is 0.200, as shown by its path coefficient. Judging from the T grade. The statistics of 1.214 is greater than the t of table 1.985 and the P value. A value of 0.225 greater than the probability value of 0.05 or a value ($0.225 > 0.05$) means insignificant. This means that the effect of competitive advantage on financial performance is positive and insignificant.

4. CONCLUSION

Based on the research objectives set, by the results of the research and discussions that have been carried out, it is concluded that the influence of credit restructuring and financial technology inclusivity has more influence on the financial performance of MSMEs in the new average period, meaning that the increased provision of credit restructuring policies provided by financial institutions and the higher the level of inclusivity financial technology will further improve the financial performance of MSMEs in the new normal. Meanwhile, the influence of the variable competitive advantage on the financial performance of MSMEs in the new average period has a positive but insignificant influence. This means that the high or low level of business competition is not too significant to the financial performance of MSMEs in the new average period.

In this study, based on the conclusions that have been made, some suggestions can be given, including For MSME actors in Serang City and Serang Regency, namely trying to take advantage of various credit payment relief/credit restructuring policy services provided by financial institutions. Furthermore, increasing the ability and being open to various financial technology application services because it is proven that based research that has been carried out can improve the financial performance of MSMEs in the new average period after the Covid-19 Pandemic. There is still no varied MSME product in Serang City and Regency, so to increase business competitiveness for MSME actors in Serang City and Regency, which will have an impact on the financial performance of MSMEs is a price reduction price strategy below competitors or provide additional benefits and services if the prices offered by competitors are the same

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