



Determining Micro Banking Together with The Development of Financial Technology in The New Normal Era

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ABSTRACT

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The financial sector is one of the business sectors that has undergone significant changes, known as Financial Technology (FinTech). FinTech is here to answer the problem of public financial access to conventional financial institutions. The development of non-bank financial institutions in rural areas has greatly helped rural communities to increase rural economic growth. The LPD functions as a container of village wealth in the form of money or letters, carries out its function in the form of efforts towards improving the standard of living of village manners and in its business activities supports a lot of village development. This study aims to determine the strategies used by the Lembaga Perkreditan Desa (LPD) in supporting implementation financial technology in the middle of the New Normal Era and to find out the impact felt by the community by its implementation financial technology in the middle of the New Normal Era. The method used in this research is a qualitative approach with sample selection purposive sampling. In this study, the process of data collection and processing was assisted by using the SWOT matrix which is a tool used to compile the company's strategic factors. Strategies that can support the implementation of financial technology LPD Talepud and LPD Ketewel provide a sense of comfort, security, and convenience in making transactions using LPD Mobile. Customers who use LPD Mobile can experience practicality, such as withdrawals via LPD ATMs, electricity payments, credit purchases, quota purchases, PDAM payments, BPJS payments and others.

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1. Introduction

The development of non-bank financial institutions in rural areas has greatly helped rural communities to increase rural economic growth. Community financial services in villages are carried out by financial institutions, such as Bank Perkreditan Rakyat (BPR), Lembaga Perkreditan Desa (LPD), Cooperatives and Penggadaian (Damayanthi, 2011). Village Credit Institutions (LPD are one of the institutions to support the economy of rural communities. The role of LPDs is very important in efforts to realize village development, improve community welfare, create independent community life and realize micro-growth in rural areas. Lembaga Perkreditan Desa (LPD) as one of them) financial institutions engaged in the collection and distribution of community funds operating in only one customary village as well as the administration of traditional villages on the basis of kinship among the villagers.

Since it was first established in 1984, the existence of the LPD has indeed been proven to be able to improve the welfare of rural communities as well as to grow and grow. the development of Balinese culture as an asset of the nation. The existence of LPD in traditional villages is very important for its role in various economic activities in the village. LPD is able to move the economy in traditional villages, one of which is through business capital loans provided to local residents' community or customers to open a business or other activity.

Seeing the development of the internet which is increasingly being used by various levels of society, technology and information systems continue to give birth to various innovations, especially financial technology and to meet various needs of society including access and transaction processes. As with activities with financial services, the more prevalent technology, the easier and more efficient people are in utilizing financial services. The application of technology in financial services really helps people in making transactions, so that people who have not been able to access financial services can take advantage of financial technology.



Fintech can also be called a legal payment process without the need to use paper instruments (Junadi & Sfenrianto, 2015). Fintech exists as a complement to the existing financial system, not as a buyer. Forms of services fintech that facilitate the payment process will be discussed in this study, which will hereafter be referred to as fintech only. The service strategy discussed in this study is the Digital LPD Service where the Digital LPD is very important in the New Normal Era and the current Digital Age to facilitate transactions without having to crowd waiting in line at the Financial Institution. Data collection for LPD samples was carried out in the Ketewel LPD and Talepud LPD, where the sample selection was due to the two LPDs using Digital LPD to support LPD transactions. All digital services made by the LPD in collaboration with the Bali Province LPD Cooperation Agency (BKS LPD Bali Province) and PT USSI Bandung. The use of Fintech is hoped that will become an example for other LPDs to begin transitioning to the digitalization era so that LPDs continue to exist and can increase customer confidence in the LPD itself.

2. Literature Review

2.1 Micro Finance Institution

Micro Finance is a financing that can cover many types of financial services, including micro credit or kredit mikro, which is a type of loan given to customers who have medium-to-low business scale and tend to have never been in contact with the banking world. This type of client often has no collateral, a steady income, and the required administrative requirements are simpler. Micro Finance services do not actually cover micro credit but also micro savings and micro insurance or micro insurance which is rarely known in Indonesia.

In Indonesia, the personnel involved in microfinance can be divided into three types. Bank institutions include commercial banks, which provide micro credit or have micro units as well as Islamic banks and Islamic units. The problem that occurs in Indonesia is that there are so many and varied microfinance institutions and types of microfinance services. This makes mapping or mapping, monitoring and evaluation of these financial services difficult. Overlapping regulations, powers and a wide range of services for microfinance institutions also contribute to the difficulty of implementing an appropriate development strategy for MFIs. This situation causes the level of business legitimacy or the sustainability of the MFI or microfinance program to be low. Only a few MFIs have been able to survive and compete with both other MFIs and more modern types of banking services.

Microfinance institutions are not allowed to mobilize funds in the form of deposits and are not bound by BI's interest rate rules, so that they can determine their own interest rates (Arsyad, 2008). Until now, many of these institutions are still established in Indonesia, including those that were established at the beginning of this period, namely the District Credit Agency (BKK) in Central Java, the District Credit Institution (LPK) in West Java, Lumbung Pitih Nagari (LPN) in West Java. West Sumatra whose ownership is by customary institutions. In the 1980s, the Small People's Business Credit (KURK) was established in East Java (1984) and the Village Credit Institution or Lembaga Perkreditan Desa (LPD) in Bali. The LPD is a unique institution because its ownership is purely by traditional villages in Bali, in contrast to other institutions that are also owned by the Provincial Government

2.2 Financial Technology (Fintech)

In the systematic literature review of Fintech, the application of IT is not only in the financial sector. Some literature argues that Fintech can also be defined as a Startup, Service, Technology, Company, Digitalization, Industry, New Generation, Opportunity, Product, or Threat (Zavolokina, 2016). The term "Fintech" (sometimes: Fintech, Fin-tech, or FinTech) is a new word which refers to modern relationships and, especially, Internet-related technology (eg, cloud computing, mobile internet) with the business activities of the financial services industry (eg, money lending and banking transactions) are well established. Typically, FinTech refers to innovators and disruptors in the financial sector who take advantage of communication communications, particularly over the internet and do not specify automated information. Such companies have new business models that promise more flexibility, security, and financial opportunities and opportunities (Gomber, 2017). In short, Fintech companies, both start-ups and established ones in the financial domain, focus on innovating new business models and solutions to existing challenges in the financial industry.

2.3 Village Credit Institution (LPD)

The LPD is a customary community-based financial institution that is under the auspices of a customary village and its benefits have been felt for communities in rural areas, in the context of community economic development. The LPD was formed because of the principle of regional autonomy in which Provinces and Municipal Regencies foster and manage local communities based on their origins and local customs which are legal in the State government system and are located in the district and city areas. In the Bali Provincial



Regulation No.3 of 2007 on Village Credit Institutions, it is explained that Village Credit Institutions, hereinafter abbreviated as LPD, are village-owned financial enterprises that carry out activities in the village environment and for village manners. The existence of the LPD in Bali has become a shared awareness of the Balinese people that have existed for a long time and developed long before Indonesia's independence. This awareness and common will of the community are used as a forum in an organization called Desa Pekraman. The LPD establishment simultaneously throughout the Pakraman village area in Bali is starting to produce results, especially in terms of improving the economy of the Pakraman village (Wedantara, 2019).

On January 8, 2013, the Law of the Republic of Indonesia number 1 of 2013 concerning microfinance institutions (LKM) was enacted in article 39 paragraph 3 stipulating that the Village Credit Institution and Lumbung Pitih Nagari and similar institutions that existed before this law were declared. its existence is written based on customary law and is not subject to this Law (Suryanata, 2019). LPDs existed before the Law was enacted, therefore LPDs report their existence based on the Law but are not subject to the Law because LPDs are regulated based on Regional Regulations in Bali Province. LPD was founded by Governor Ida Bagus Mantra in 1985, as a rural financial institution based on traditional villages, which has an economic and social community role (Sutoro, 2015). LPD was formed based on the Decree of the Governor of Bali Number 972 of 1984 concerning the Formation of Regional Government Institutions (Suryanata, 2017).

2.4 Conceptual Frameworks

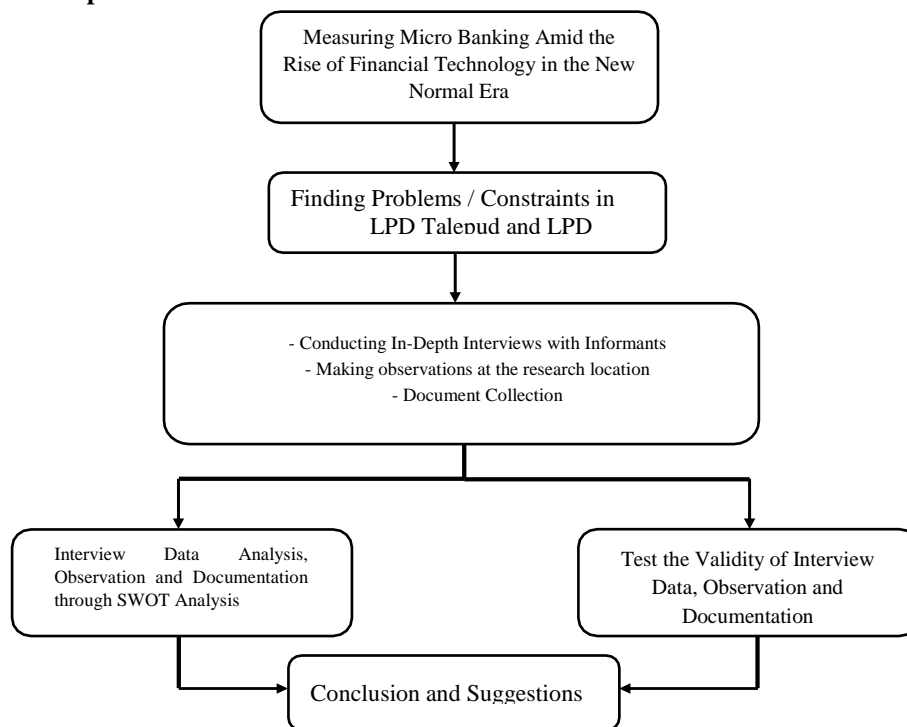


Fig 1. Conceptual Framework

In this study, the researcher will make observations on the related sample in order to get the desired result according to the problem formulation that has been explained previously. Then the researchers interviewed related sources, in this case the ones to be interviewed were the Head of LPD, Program Employees, and Customers who use technology and do not use technology. From the results of the interviews that have been conducted, the next researcher will process the data and information obtained so that the results can answer and explain the formulation of the problem in this study. From the results of the study, the validity of the interview data was tested using the method of source analysis, technical triangulation and time triangulation.

2.5 Literacy Review

Diardi Luckandi in 2018 examined the Analysis of Payment Transactions Using Fintech at UMKM in Indonesia. This study aims to determine the factors that influence and the patterns of using fintech as a means of electronic payment in Indonesia. The research objective is to be used as new by business fintech operators, users, and various other actors such as the government so that fintech in Indonesia can develop and compete with other countries. The problem found in the research above is the lack especially in the use of e-payment which is not paid attention and is used in Indonesia, so this research will conduct an analysis of the use of

absorption of fintech, specifically in the form of usage payment by UMKM in the city of Yogyakarta and its surroundings with the criteria of "small" and "medium" in the culinary business sector.

Kadek Herisma Dewi in 2020 conducted research on The Use of Measuring the Fintech in the LPD. This study aims to determine the patterns of e-payment users at LPD Ambengan and the supporting and inhibiting factors. The problem found in the above research is in the absorption of fintech, especially in the use of e-payment which is not paid attention and is used in Indonesia, so this study will conduct an analysis of the use of fintech specifically in the form of e-payment by LPD Ambengan smart outlets.

3 Research Methods

For that relevant data as material for analysis. The analysis used is a qualitative approach with sample selection purposive sampling which according to (Creswell, 2015), this sampling technique is used to obtain data sources by selecting individuals and places to study because they can determine an understanding of research problems and phenomena in the study. The further reason for using qualitative research methods is because researchers want to conduct studies and get information directly from data sources through in-depth and documentation of the data collected.

In this study, the process of collecting and processing data was assisted by using a SWOT analysis where Rangkuti (2013) revealed that SWOT analysis is a tool for formulating strategies for various factors systematically to formulate a strategy from a study. This analysis applies to logic that maximizes strengths (*kekuatan*) and opportunities (*kesempatan*), but by chance it gets weaknesses (*kelemahan*) and threats. Data processing in this study uses the SWOT matrix which is a tool used to measure strategic and development technological in the company. SWOT analysis is used to obtain information related development strategies and financial technology to support customer transaction activities. This matrix can clearly describe how the external opportunities and threats that the company can beat with its strengths and weaknesses. The SWOT analysis matrix:

Table 1.
SWOT Matrix

	IFAS	Strengths (S)	Weaknesses (W)
EFAS		Internal strength factors	Internal weakness factors
Opportunities (O) External opportunity factors.		The S-O Strategy Create strategies that use your strengths to take advantage of opportunities	The W-O Strategy Create strategies that minimize weaknesses to take advantage of opportunities
Threats (T) External threat factors.		The S-T Strategy Create a strategy that uses strength to overcome threats	The W-T Strategy Create strategies that minimize weaknesses to avoid threats

- The S-O strategy is a strategy formulated by using all strengths to seize opportunities.
- The W-O strategy is a strategy formulated by minimizing weaknesses to take advantage of existing opportunities.
- The S-T strategy is a strategy prepared by using all strengths to overcome threats.
- The WT strategy is a strategy prepared by means of bullet weakness to avoid threats

3.1 Research Location

The location of this research was conducted at LPD Pakraman Talepud Village, which is located at Banjar Pujung Kaja, Sebatu Village, Tegalalang District, Gianyar Regency and LPD Pakraman Ketewel Village which is located at Jalan Raya Ketewel, Banjar Pamesan, Ketewel Village, Ukawati District, Gianyar Regency. This study uses two Village Credit Institutions where the second LPD is the most advanced in Gianyar Regency. In which part of the data reading techniques the data carried out in this study are observation, interviews, and data documentation studies.

3.2 Research Results and Discussions

After interviewing respondents, it was found that there are similarities and differences in the results of the interviews between one source and another. The results of the interviews depend on the perspective of each resource person on the use of financial technology as a benchmark for the progress of the Village Credit Institutions (LPD) in each of the informant villages. The interview is divided into several sections, namely LPD Pemucuk, IT Division, customers who use fintech, and customers who have not used fintech. Financial Technology has LPD issued several products that are very helpful for the community for their daily needs through smart phones called LPD Mobile, such as transfers to commercial banks, top up Go-pay balances, LPD ATMs, LPD smart outlets, credit purchases, internet quota, balance checks, payment of electricity, telephone payment, payment BPJS, payment for water and the latest in LPD Talepud Tegalalang is the



legalization of the Virtual Account. The products that have been provided by the LPD are for realizing the community in using the technology from the Village Financial Institutions which must be developed by the community in the village itself.

The application of technology finance in Talepud Village and Ketewel Village went through a long process, introducing the technology to the karma of their respective villages. Where in general, LPD customers are not only those who understand technology, but some have yet to analyze what technology is. From this, it is a challenge for the LPD to prosper village karma in order to provide convenience in transaction services. However, in the running of the application of technology in each village, the LPD application mobile can only be downloaded via an Android smartphone.

The response from customers with the application of technology was that LPD customers were very supportive of finance long before the outbreak Covid-19. Customers really feel the benefits, both millennial's and elderly people, where with financial technology this customers are greatly helped to meet household needs such as purchasing credit, buying internet quota, paying for telephone, paying for electricity and several features found in LPD Mobile, so they do not need to leave the house only through your own smartphone which can fulfill everything. Where this is the main goal of the LPD, namely the welfare of Krama Desa, all the facilities that can support LPD facilities.

However, in the application of financial technology LPD there are several shortcomings and weaknesses in the application of technology. Where there are several shortcomings, such as the LPD application Mobile cannot be downloaded via the iOS smartphone. When conducting transactions, sometimes there are obstacles that the cooperation center for the division is technology LPD still in the city of Bandung. However, some customers who are prohibited from processing LPD transactions Mobile do not always receive guarantees.

Table 2
SWOT Matrix Diagram The Use of Financial Technology LPD Mobile and LPD ATMs

IFAS/EFAS	STRENGTHS (S)	WEAKNESSES (W)
	<ul style="list-style-type: none"> • Ease of LPD Mobile transactions without having to come to the LPD. • Practicality and get the application play store for free. • Can make transactions through LPD ATMs. • Practicality of paying electricity bills, PDAM, BPJS Health, Telephone, and others through LPD Mobile. 	<ul style="list-style-type: none"> • Not all smartphones can use the LPD Mobile feature as a whole. • Disruptions that occur on the LPD Cellular server and from providers that result in complaints.
OPPORTUNITIES (O)	STRATEGY (SO)	STRATEGY (WO)
<ul style="list-style-type: none"> • The lifestyle of the people in the New Normal era when doing online transactions is an opportunity for LPDs. • LPD is closer to itself to the community, the welfare of the community. • The growth in the number of customers has the opportunity to increase the number of users and transactions of LPD Mobile. • The addition of LPD satellites has the opportunity to improve the quality of LPD Mobile services. 	<ul style="list-style-type: none"> • Assist customers in safe transactions with LPD Mobile and LPD ATMs. • Promote development product that people are enthusiastic about always increasing. • Provides convenience in making transactions anywhere and anytime via LPD Mobile. 	<ul style="list-style-type: none"> • Optimizing the use of the LPD Mobile and LPD ATM features as a whole. • Providing a sense of security to customers in making transactions using LPD Mobile and LPD ATMs.
THREAT (T)	STRATEGY (ST)	STRATEGY (WT)
<ul style="list-style-type: none"> • There is still a lack of users active LPD and ATM Mobile LPD. • The development of increasingly sophisticated technology. 	<ul style="list-style-type: none"> • Giving confidence to customers in making transactions using LPD Mobile and LPD ATMs. 	<ul style="list-style-type: none"> • Adding more user lists LPD Mobile and LPD ATM.

- a. Strength (strength) owned by LPD Mobile and LPD ATMs include:
 - 1) Ease of transaction. If the customer wants to make a transaction if the LPD is closed, then the customer can transact anywhere and anytime via the LPD Mobile or LPD ATM.
 - 2) Practicality and get the play store application for free. If the customer wants to use the LPD Mobile application, it can be downloaded for free through the application play store.
 - 3) Can make transactions via LPD ATMs. If an LPD customer wants to make transactions outside the LPD's operations, the customer can make transactions through the LPD ATMs that have been provided in each LPD.
 - 4) Practicality of paying Electricity Bills, PDAM, BPJS Health, Telephone, and others through LPD Mobile. If the customer wants to make a top-up payment, the customer does not have to leave the house to pay all these bills, but the customer can directly make payments via the LPD Mobile application.
- b. Weaknesses possessed by LPD Mobile and LPD ATMs include:
 - 1) Not all smartphones can use the LPD Mobile feature as a whole. LPD Mobile can only be downloaded via smartphone Android, however customers using the smartphone Ios cannot use the LPD Mobile application.
 - 2) Interference that occurred on the LPD Mobile server. Syringe disturbances occur in transactions, because the central server in Bandung is managed by PT. Ussi Bandung.
- c. Opportunities (opportunities) owned by LPD Mobile and LPD ATMs include:
 - 1) The lifestyle of the people in the new Normal era when doing online transactions is an opportunity for LPDs. LPD Customers in the current era, especially during the pandemic, have become an opportunity for LPDs to increase the number of customers who have been activated by LPD Mobile with practical benefits that have been felt by several LPD customers.
 - 2) The LPD is closer to the community, the welfare of the community. The LPD continues to socialize LPD Mobile and ATM Mobile products to support transactions it has experienced to customers.
 - 3) The growth in the number of customers has the opportunity to grow in the number of users and transactions of LPD Mobile. During the current pandemic, customers who use smartphones have benefited from using LPD Mobile as a safe transaction, without having to come to the LPD or wait for the LPD to open its operations.
 - 4) The addition of LPD satellites has the opportunity to improve the quality of LPD Mobile services. Additional servers that support fast transactions and minimal disruption and slow transactions.
- d. Threats (challenges) posed by LPD Mobile and LPD ATMs include:
 - 1) There is still a lack of active users of LPD Mobile and LPD ATMs. The lack of LPD Mobile users is one of the effects can only be downloaded via the smartphone android and not all fluent LPD customers using smartphones, and therefore better customers came to LPD of the study using the LPD Mobile, that is the challenge LPD to guide customers.
 - 2) Developments technological increasingly sophisticated. LPD Cell Phones and LPD ATMs become prayers one heart to increase the progress of LPD in, this is a challenge for LPD to review the welfare of customers so that they operate practically in using the technology provided by the LPD.

Based on the SWOT analysis, it can determine various possibilities that can be considered in improving financial technology LPD. In this case the strategies that can be taken in improving financial technology in the LPD Talepud and the LPD Ketewel.

- a. Easy LPD Mobile transactions without having to come to the LPD.
- b. Practicality and download the LPD Mobile application through the application play store.
- c. Can make transactions through LPD ATMs without using a card, only through smartphones customers can make LPD ATM transactions, and customers can make transactions at any time without waiting for LPD operations to open.
- d. LPD has provided facilities for LPD customers, so that customers feel the convenience of paying Electricity Bills, PDAM, BPJS Health, Telephone, and others only through LPD Mobile.

4. Conclusion

Conclusion that can be drawn from the results of this study are the strategies that can be used by LPDs to implement financial technology in this New Normal Era, where LPDs build technology starting from microfinance institutions, the only ones whose regulations or parameters are regulated by the Pakraman Village respectively. -locating LPD. This strategy is highly expected by LPD customers amidst advances technological and environmental changes in this New Normal Era. Customers or trainers of the Talepud LPD



and Ketewel LPD are very supportive of this technological advancement, this can be seen from the results of interviews where most customers have greatly benefited from the application of financial technology. With the support of LPD customers, LPD Talepud and LPD Ketewel continue to improve facilities to support the success of financial technology that have been implemented by the 2 (two) LPDs in the Gianyar Regency area.

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