

The Role of Digital Payments FinTech in Accelerating Development of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia:

Empirical Evidence from Nusa Tenggara Barat and Bali

Nika Pranata

Pusat Penelitian Ekonomi, LIPI

Background

Non-cash payment is less favorable, 99.4% retail transactions paid using cash

- 140 million people have internet access
- 93% of them own smartphone/tablet
- 73% of them are 19 -34 years old
- High mobility

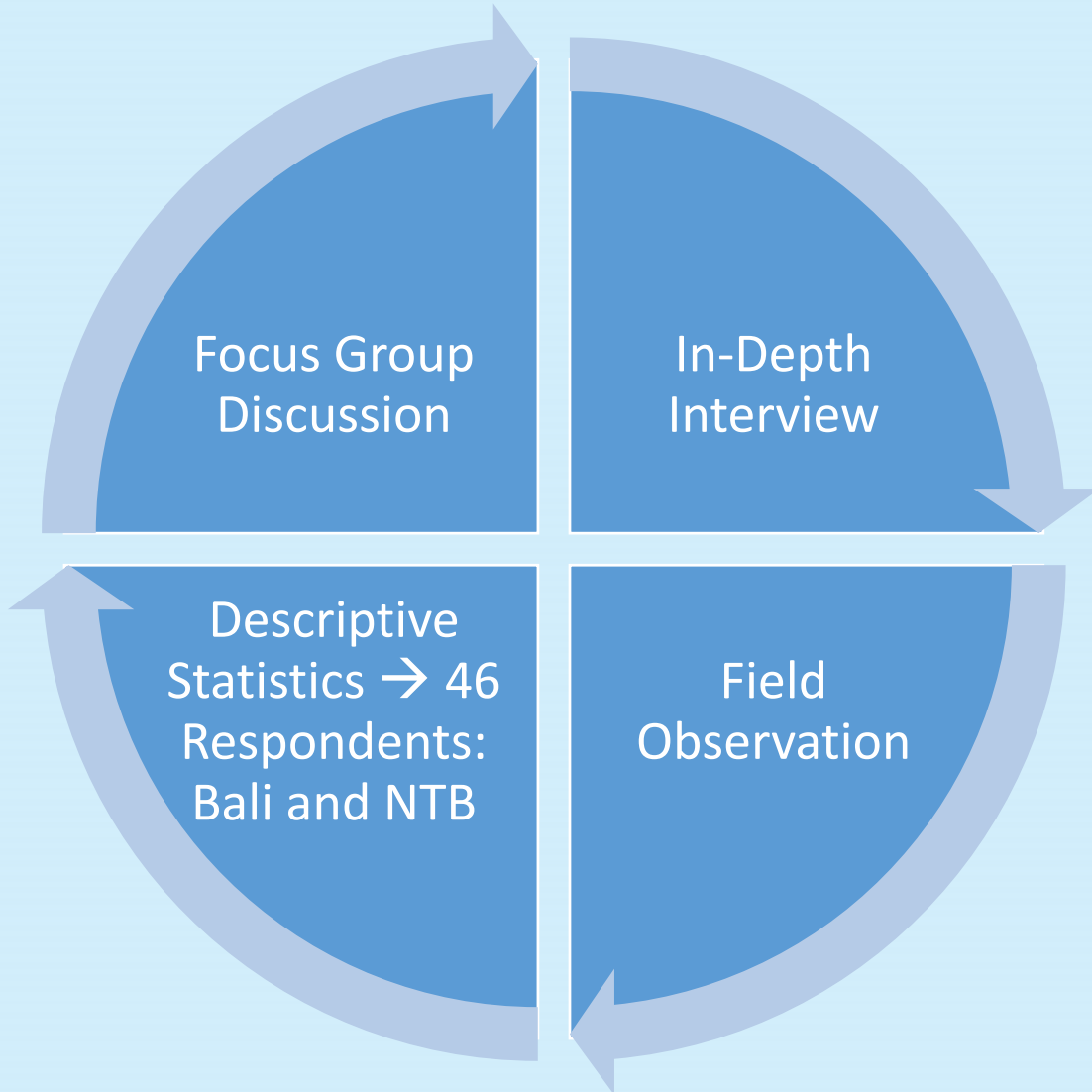
- Non cash payment benefits:
- Safer and faster
 - Better customer experience
 - Better transparency, accuracy, and well-managed bookkeeping
 - Deliver competitive advantage

Research Objective

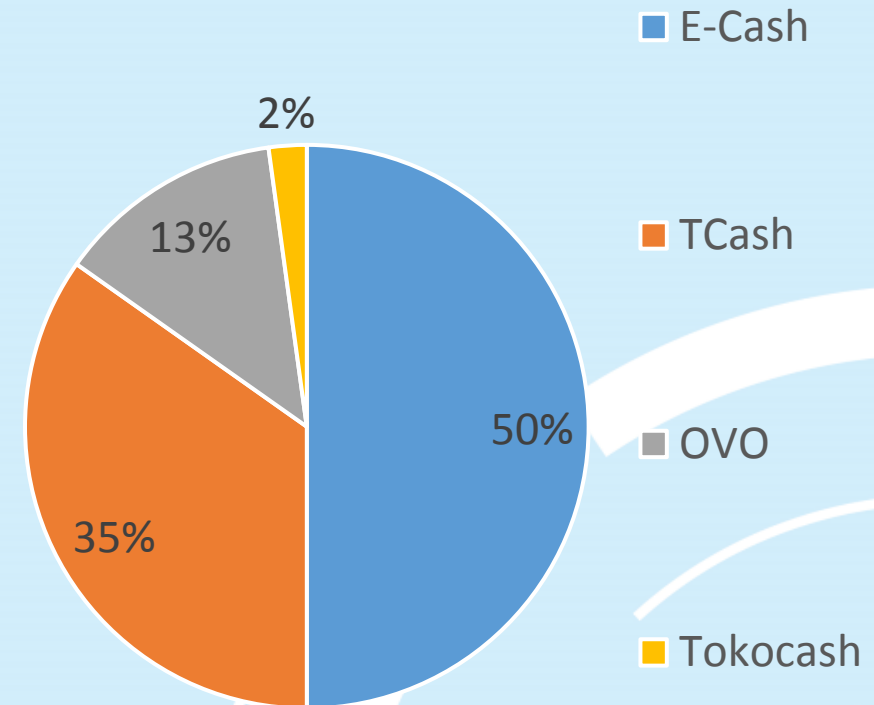
To investigate the accessibility and impact of digital payment provided by Financial technology (Fintech) on development of MSMEs



Research Methods



Respondents' Fintech Provider

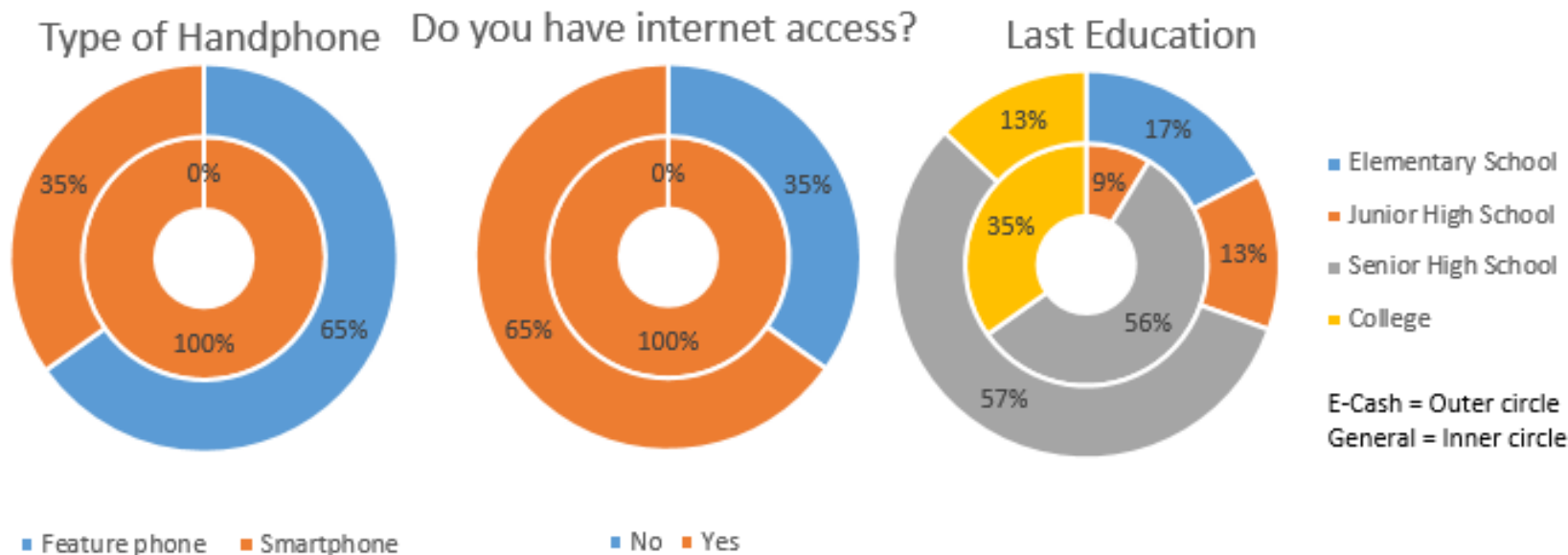




Findings: Field Observation

Digital payment can be inclusive

Case of NTB: E-Cash Partnership with Wira Singa Cooperative



PROS

- No need of internet and smartphone: USD *141#
- Faster and safer
- Multiple function
- Fee for cooperative, SHU for member

CONS

- SMS charge, doubt of security, network

Foreign e-wallet generates benefit for tourism

Case of Bali: Local merchant partnership with SMESS (Feature: WeChat Pay, QQ Wallet, and other Chinese e-Wallet)



WeChat Pay

- Attract Chinese customers
- Save more money for tourists, no need to exchange money
- Offers and cashback for tourists
- Fee from WeChat

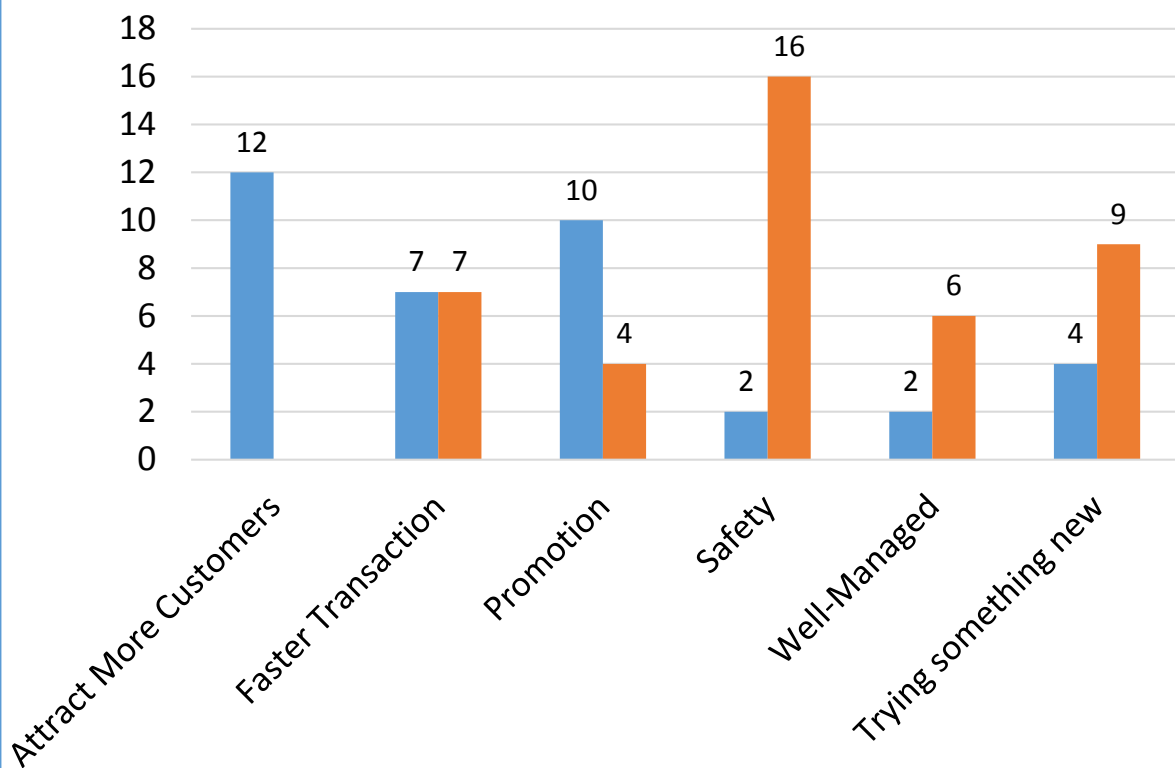


Findings: Descriptive Statistics (1)

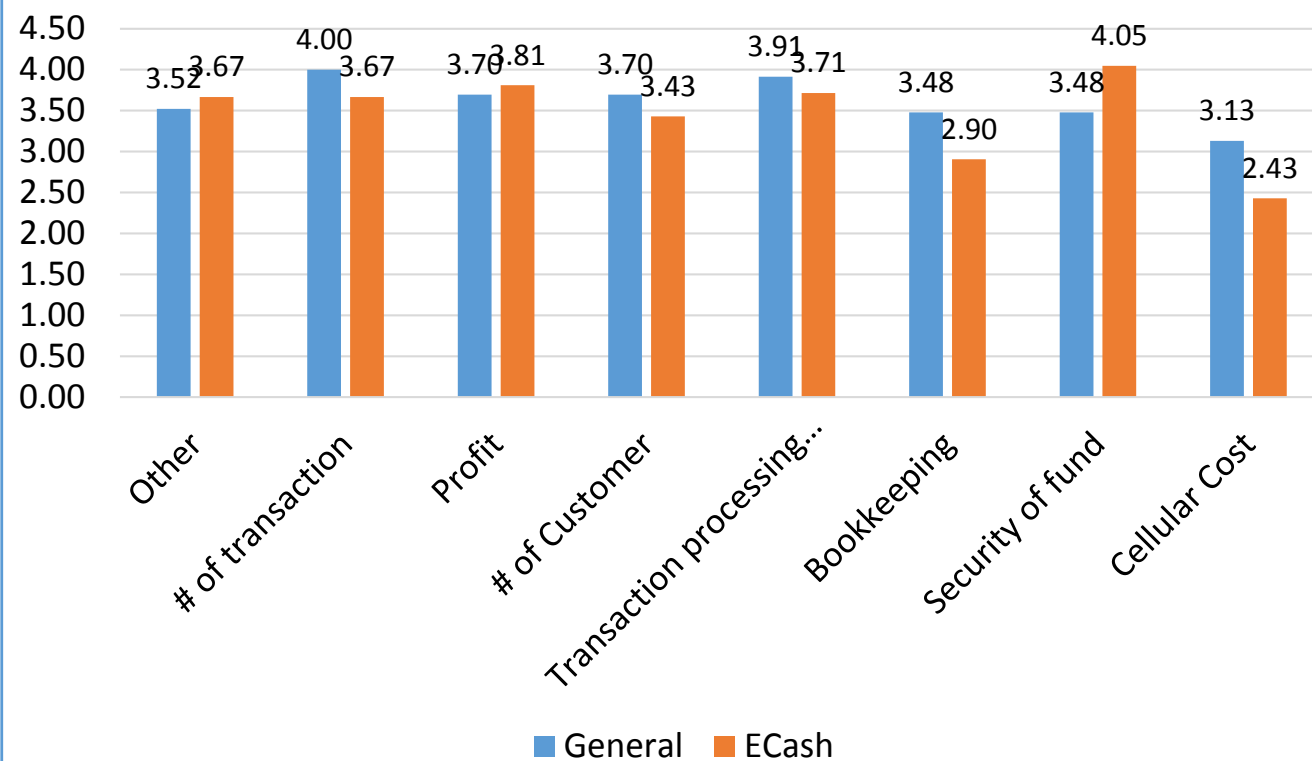


Digital payment has positive impact to MSMEs businesses

Reasons to join digital payment



Impact to Business





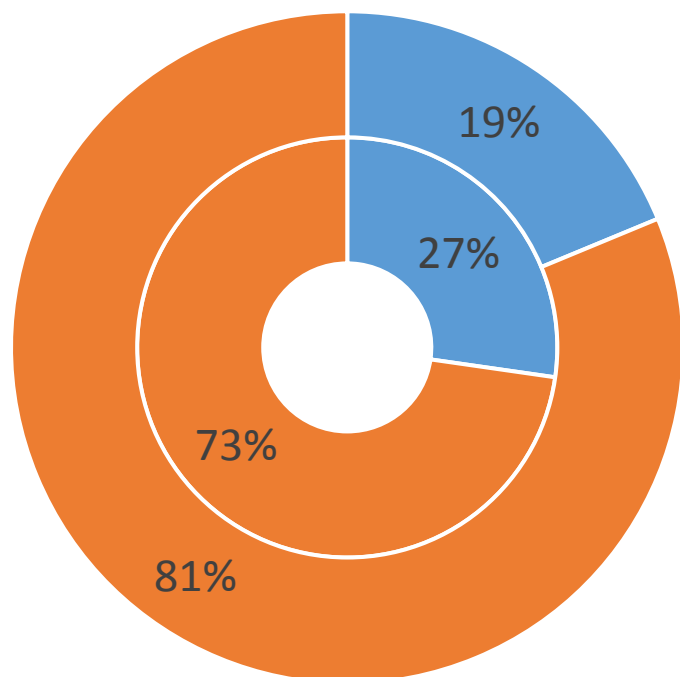
Findings: Descriptive Statistics (2)



Interesting Facts: Most of respondents prefer payment made by cash, despite digital payment provide numerous benefits

How do you prefer payment is made?

E-Cash = Outer circle
General = Inner circle



■ Electronic money ■ By cash

Something is wrong either technical or conceptual!



Conclusions



01

Digital payment can be inclusive

02

Accepting foreign e-wallet for tourism area is good for business

03

Digital payment fintech services has positive impact for MSMEs businesses

04

Limited knowledge of digital economy and charges imposed related to digital payment transaction become major hurdles

Policy Recommendations



1

Encourage partnership with local financial institution

2

Provide special mandate for widely use platform that provides digital payment, TCASH to distribute national social fund such as *Program Keluarga Harapan*

3

Local governments should make partnership with digital payment fintechs in order to introduce and provide digital payment guidance and trainings for MSMEs

4

E-Cash should make a partnership with cellular providers to eliminate or reduce SMS fee

5

Create multi-platform banks' provider, such as ATM's LINK, to eliminate or reduce top up charge

6

More intensive socialization

7

Create a fully competitive and collaborative environment in digital payment businesses



INDONESIA

Dream High, Learn from China!

