



Socialization of MSME Capital Financing Patterns in the Context of Business Sustainability in Pamokolan Village, District. Ciamis, West Java Province

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Abstract

Capital is an important thing that is needed by MSMEs to run their businesses. The problem of Pamokolan Village MSME is capital limitations and understanding the risks of external capital. Therefore, a good understanding is needed among MSME owners about the right capital selection, and they need to know every risk of these types of capital. In this service, socialization will be carried out about the importance of choosing the right business capital and also the risks of external capital, including illegal loans of both a conventional and online loans. In addition this service given education about the OJK Hotline to check the application of illegal online loans, and Pamokolan Village MSMEs owner would also be educated about the importance of choosing the right business capital. As for the post-test and pre-test conducted, it can be known that there is an increase in understanding among MSME owners about the importance of choosing the right type of capital and the risks of illegal loans. This shows that there is an increase in understanding of capital financing from the services carried out.

Keywords: *MSME, Illegal Loans, Capital*

1. Introduction

The existence of MSMEs is very important for the movement of the local economy because it is able to open up employment opportunities for the surrounding area. According to BKPM data, investment realization during the January-June 2024 period reached IDR 829.9 trillion and increased from the same period in the previous year, namely 22.3%. MSMEs are able to record employment absorption of 1 million people in Semester 1 of 2024 (source: indonesia.go.id)

Based on this, all MSME decisions are very important not only for business continuity but also the existing local economy, one of the important things is regarding capital decisions. The capital decision made is by choosing the pattern of capital sources that the MSME will have, whether to use internal and external funds. The source of capital that comes from internal sources can come from retained earnings or retained earnings, working capital, profitability, this type of capital has a low risk compared to external capital (Sari Pristin & Sri Hermuningsih: 2021). External sources can be long-term capital such as bank debt and bonds, and short-term such as trade debt, money orders, and others (Sundana: 2011).

The pattern of capital sources is very important to determine, so important it can be one of the determinants of whether MSMEs can survive or not in the future. MSME owners must be wise in choosing the type of capital, because if they take the wrong steps, the risk is business bankruptcy.

With developments in technology and information, MSMEs have more ease in accessing various types of funding sources, one of which is online loans. Online loan applications appear with various advantages that are not offered by conventional loans in general, such as speed of approval, ease of access, and minimal requirements (Rifka Arinda, et.al: 2024). The emergence of online loans is so widespread, it has also given rise to several illegal online loan applications that do not have official permits and are not registered with the Financial Services Authority (OJK). Online loans clearly have many risks, especially from very high interest rates and debt collectors who do not collect according to proper procedures. Another big risk of illegal loans is the misuse of customers' personal data by online loan service providers (Mutiasari: 2023). This can destroy an MSME in an instant if they are unable to manage their capital funding sources. Moreover, there were findings that in October 2023 the PASTI Task Force (Task Force for Eradicating Illegal Money Activities) had received reports of 8,991 online loan complaints (Citra Ayu, et.al: 2024). The risk of borrowing and choosing the wrong type of capital is so terrible that community service is needed to increase MSME owners' understanding of capital decision patterns and the risks of external financing, including online loans.

This community service is carried out in Pamokolan Village, Tasikmalaya Regency, which has various types of MSMEs. The most numerous MSMEs are MSMEs that operate in the food sector such as tambang cakes, cakes, dry cakes and other snacks. Apart from having many MSMEs, this region also still has illegal lending practices between individuals called by local people "Bang Emok" which provide high interest rates and pose high risks to the community. Darmiwati (2021) and Mutiasari (2023) have also carried out dedications regarding increasing the impact of online loans, with the background that the public needs education about various types of risks from loans, including online loans. This is done so that people are more careful in choosing funding sources.

Based on these problems, MSME owners need to be given a basic knowledge of capital decision patterns and also the risks of external funding which is expected to make MSME owners more careful in choosing the type of funding for their business..

2. Literature review and hypothesis/es development

Capital is a component in forming a business, business owners need to determine the right composition in preparing their capital structure. Business capital is a sum of money to carry out business operational activities (Devi:2021). Another opinion says that business capital is funds used with the aim of running a business so that it continues to run. Meanwhile, sources of capital include their own capital, namely capital prepared by the business owner himself, including savings, donations, grants and so on. Meanwhile, foreign capital is capital obtained from parties outside the company (Mardiyatmo: 2018).

Various sources of funds need to be taken into account by MSME owners, but the right choice needs to be made to maximize profits and minimize risks. Moreover, nowadays technology is increasingly sophisticated, there are more and more technological innovations in the financial sector (Wahyuni RE, et. al:2019), which can be called financial technology. Financial technology is a combination of financial services and technology, and with the existence of fintech, more and more people can access digital-based financial services (Ansori: 2019).

Financial technology produces one innovation, namely in terms of online loans. Online loans offer loans that are relatively easy and fast compared to conventional loans such as cooperatives and banks whose terms and conditions are more complicated and lengthy. Apart from that, online loans can also be set for the loan term according to the customer's needs, and some online loans even do not require collateral. (Wijayanti S : 2022). Apart from that, another advantage of online loans is that they can help people get funds, when they may have difficulty getting credit eligibility through banking (source: www.cimbniaga.co.id). Based on these advantages, online loans are now widely used by people in Indonesia.

However, even though online loans provide many benefits, there are still risks, especially since there are still people who don't know about what fintech is (Wahyuni RE, et. al:2019), the risk are high interest rates and a frightening return system using debt collectors (Sharda: 2024). The risks of online loans are relative, especially regarding legal legality. Based on POJK No.77/POJK.01/2016 concerning Information Technology-Based Money Lending and Borrowing Services, Article 7 states that "Organizers are required to submit registration and licensing to the OJK". Another risk is the spread of customer personal data which is at risk of misuse. (Priyonggojati A.: 2023). So if an online loan is not registered with the OJK, it is called an illegal online loan, which can increase the risk.

3. Methodology

The method used in community service is socialization by conducting pre-tests and post-tests to see the increase in understanding of MSME owners after the socialization is carried out. The subjects in this community service are 19 MSME owners in Pamokolan Village, Tasikmalaya Regency.

4. Results and discussion

This community service began by conducting a pre-test on the MSME owners of Pamokolan Village, Tasikmalaya Regency to see their understanding of the risks of loans or external funding and regarding the Financial Services Authority. The pretest for understanding the risks of online loans can be seen as follows:

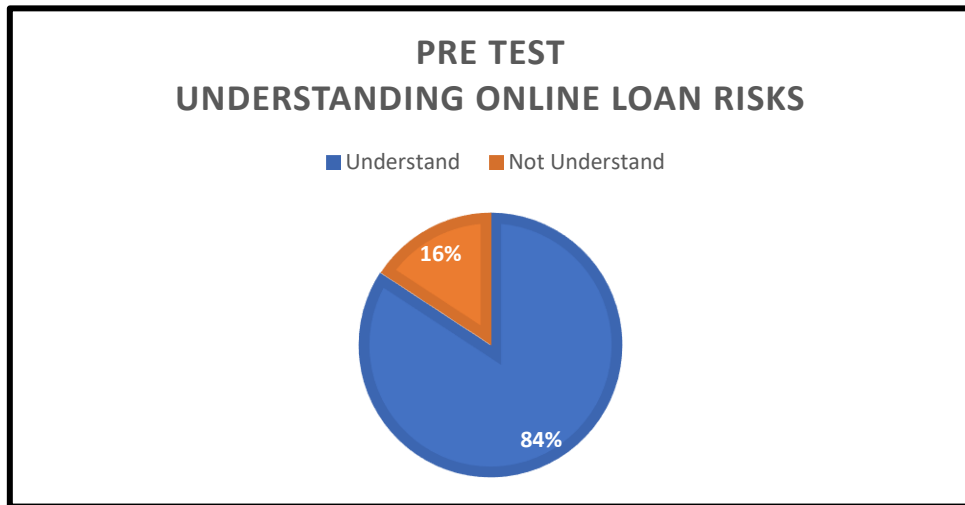


Figure 1. Pre Test Understanding Online Loan Risks
Source : *Pre Test* (Primer Data)

Based on the pre-test carried out, it can be seen in Figure 1, that there are 16% of MSME owners who admit that they do not know the risks of online loans or external funding.



Figure 2. Pre Test Understanding Online Loan Risks
Source : Primer Data

After carrying out the pre-test, socialization is carried out regarding capital financing patterns, especially external capital. The material explained is about various sources of business capital and also various external loan risks, including online loans. Apart from that, material about the Financial Services Authority (OJK) was also provided, such as the hotline number and how they would do it if they wanted to check the legality of an online loan application.



Figure 3. Presentation of Community Service Material
Source : Primer Data

Materials are provided by service providers to MSME owners, then in addition to providing materials. MSME owners were also given information about the OJK hotline and how to check the legality of online loan applications. So service is carried out by providing materials and also practicing contacting the OJK hotline.

After providing the material, the next step is to do the post test again. The results of the post test are as follows:

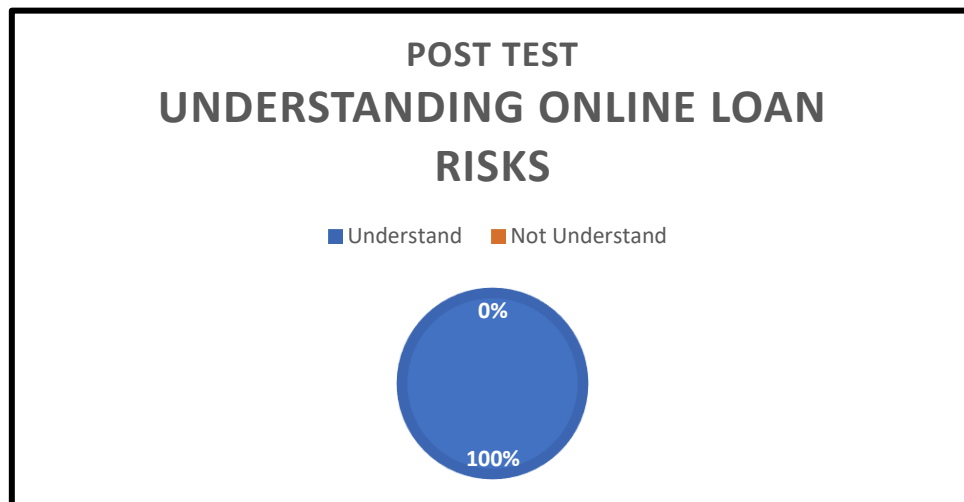


Figure 4. Pos Test Understanding Online Loan Risks
Source : *Pre Test* (Primer Data)

Based on Figure 4 above, it can be seen that there is an increase in understanding of the risks of online loans, namely 100%, meaning that all MSME owners understand the risks of online loans. And MSME owners also know the various sources of external funding and the various risks.



Figure 6. Photo Group
Source : Primer Data

It is hoped that this community service can provide increased understanding for MSME owners regarding various types of business capital funding sources, and the various risks they pose, especially online loans which are now widely used by the public. Apart from that, MSME owners also know about the OJK and the hotline to check the legality of existing online loan applications, so that they can prevent MSME owners from taking out illegal online loans. This makes MSMEs have basic knowledge about external funding and its risks, which is expected to make MSMEs more careful in choosing funding sources.

5. Conclusion

5.1. Conclusion

Based on the community service that has been carried out, it can be concluded that there is an increase in understanding regarding various types of funding sources and also the risks of online loans, apart from that, MSME owners already know the OJK hotline and how to check OJK services to see the legality of online loan applications. This is expected to increase the awareness of MSME owners in choosing safe sources of funding.

5.2. Limitation

This community service is limited to MSME owners in Pamokolan Village, Tasikmalaya Regency.

5.3. Suggestion

It is hoped that MSME owners can choose the type of capital by considering risk, because choosing the type of capital source is important for business continuity, especially external capital sources that have interest.

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