
MSME Managers' Experience in Facing Financing Challenges in the Digital Era

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ABSTRACT

Keywords:

MSMEs;
digital financing;
digital financial literacy data
security;
financial inclusion;

This study aims to analyze the challenges faced by MSME managers in Cirebon City in accessing digital financing and the factors that affect their success in utilizing digital financing services. In this digital era, MSMEs face significant challenges related to understanding digital financing products, data security, and limited access to technology. This study uses a qualitative approach with a case study design, where data is obtained through in-depth interviews and observations of MSME managers registered at the Cirebon City Cooperatives and MSMEs Office. The results show that the majority of MSME managers have difficulty understanding digital financing procedures, and many of them feel anxious about the security of their personal data. Additionally, a lack of digital financial literacy is the primary obstacle to accessing digital financing. Governments and financial institutions provide significant support in helping MSMEs overcome these barriers, primarily through training and information related to digital funding. The implication of this research is the importance of increasing digital financial literacy among MSME managers and providing easier and safer access to technology-based financing.

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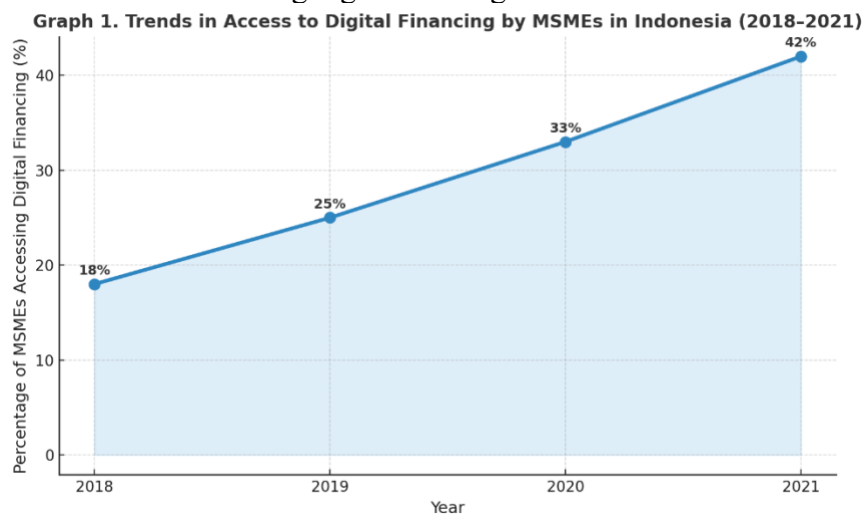
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1. INTRODUCTION

In today's digital era, the challenges in financing for Micro, Small, and Medium Enterprises (MSMEs) are increasingly complex. According to a World Bank report (2021), approximately 65 million MSMEs worldwide face difficulties in accessing adequate financing. The rapid digital transformation presents significant opportunities for MSMEs to access funding through digital platforms. Still, it also poses considerable challenges, particularly in terms of technological understanding, data security, and reliance on digital-

based financial services. In Indonesia, this problem also arises in the MSME sector, which is the backbone of the national economy, contributing around 60% to GDP (BPS, 2020). However, only a small percentage of MSMEs can effectively utilize digital-based financial services.

Data from the Financial Services Authority (OJK) in 2020 shows that around 37% of MSMEs in Indonesia still have difficulty accessing formal financing, with many administrative obstacles and a lack of understanding of the digital financing system. On the other hand, the excellent potential for MSMEs to develop through digital financing has not been fully utilized. The following graph shows the trend of access to digital funding by MSMEs in Indonesia from 2018 to 2021. This graph illustrates the increasing trend in the percentage of MSMEs accessing digital financing each year, although a significant number still experience difficulties in accessing digital funding.



Graph 1. Trends in Access to Digital Financing by MSMEs in Indonesia (2018-2021)

Cirebon City, as one of the big cities in West Java with significant economic growth, also faces challenges in optimizing the potential of MSMEs. According to a survey conducted by the Cirebon City Cooperatives and MSMEs Office (2022), approximately 40% of MSME managers in this city find it challenging to access digital financing. Some of the factors contributing to this include a lack of understanding of digital financing products, difficulties in managing digital transactions, and concerns about the security of personal data stored on digital platforms.

Some previous research provides relevant views on the challenges of MSMEs in accessing digital financing, although most have focused on different aspects of this research. Research conducted by Wulandari (2019) found that the primary obstacle for MSMEs in accessing digital financing is a lack of understanding of the financial products offered by digital platforms. Wulandari revealed that MSMEs tend to be hesitant to use digital financial products because of the limited clear information about the benefits and risks.

Research by Putra et al. (2020) researching MSMEs in Bali found that although there are many government programs that support the development of MSMEs, most entrepreneurs feel that digital financing platforms do not provide easy access for them. This research suggests that entrepreneurs tend to avoid digital financing due to constraints in their understanding of technology and a lack of education related to the use of the platform. In addition, Astuti and Hidayat (2021) conducted a study in Yogyakarta that focused on the

social factors influencing the decision of MSME managers to access digital financing. The results of their research indicate that social factors, including support from family and business networks, play a significant role in the decisions of MSME managers to utilize or refrain from digital financing.

In a study by Kurniawan (2020), which examines the potential of technology in supporting financing for MSMEs, it was found that although digital technology offers ease in obtaining funds, the main obstacle still faced by MSMEs is uncertainty regarding the costs and risks involved in using digital platforms. This causes discomfort and distrust among MSME actors. Rahmawati's (2021) research, conducted in Bandung, also highlights the importance of the role of financial institutions in providing training and guidance on how to access and utilize digital financing platforms. The results of the study show that many MSMEs struggle to understand how to apply for financing online, which hinders their chances of obtaining easier and faster access to financing.

This research is essential because MSMEs in Cirebon City play a vital role in the regional economy, but they face significant challenges in accessing financing that suits their needs, especially in the digital era. With the development of technology, it is essential to understand how MSME managers in Cirebon can adapt to digital-based financing, as well as the challenges they face. This research can contribute to creating more effective solutions in facilitating financing for MSMEs in the digital era.

This research has a novelty in its context that is more specific to Cirebon City, which is rarely the focus of digital financing studies for MSMEs. Previous research has focused more on big cities such as Jakarta or Surabaya. In addition, this study will also examine the direct experience of MSME managers in facing the challenges of digital financing, which has not been extensively researched.

Based on the above background, the purpose of this study is to analyze how MSME managers in Cirebon City face challenges in accessing digital financing, as well as to identify factors that affect their success in utilizing digital financing services. This research is expected to provide benefits for MSME managers in Cirebon, enabling them to understand effective ways to access digital financing. In addition, the results of this research can also be a reference material for the government and financial institutions in formulating policies that better support the development of MSMEs, especially in terms of access to digital financing.

2. METHOD

Types of Research

This study uses a qualitative approach with a case study design. The qualitative approach was chosen because this research aims to explore the experiences, perceptions, and challenges faced by MSME managers in accessing digital financing in Cirebon City. With this approach, researchers can gain a deeper understanding of the phenomenon, describe existing conditions, and identify the factors that contribute to the difficulties experienced by MSME managers.

Population and Sample

The population in this study is all MSME managers registered with the Cirebon City Cooperatives and MSMEs Office. The research sample was selected using the purposive sampling technique, a deliberate selection process based on specific criteria. The sample criteria in this study include MSME managers who have either tried or been involved in digital financing applications within the last 2 years. The researcher will select approximately 10-15 MSME managers representing various business sectors, such as culinary, retail, and services, to obtain a more comprehensive picture.

Research Instruments

The main instrument in this study is an in-depth interview. This interview is designed to obtain data on experiences, challenges, and factors that affect MSME managers in accessing digital financing. The interview guide will cover several topics, including the level of understanding of digital financing, the obstacles encountered in accessing financing, and expectations for digital financing platforms. Additionally, direct observation of MSME managers will be conducted to assess how they manage their businesses and interact with digital financing platforms.

Data Collection Techniques

Data will be collected through two main techniques, namely:

1. **In-Depth Interview:** The researcher will conduct a semi-structured interview with MSME managers. These interviews will be conducted either face-to-face or through an online application, as needed, and will be recorded with the respondent's consent for further analysis.
2. **Observation:** The researcher will conduct direct observations at MSME locations to understand the business processes and interactions of MSME managers with digital financing technology. These observations aim to examine the direct implementation of technology in their business operations.

Research Procedure

This research will follow the following procedure:

1. **Research Preparation:** Prepare research proposals, conduct literature reviews to identify relevant theories, and prepare interview and observation instruments.
2. **Sample Selection:** Identify and select MSME managers who meet the criteria, with assistance from the Cirebon City Cooperatives and MSMEs Office.
3. **Data Collection:** Conduct in-depth interviews with MSME managers and conduct observations at their place of business. Each interview session will last 45-60 minutes and is recorded for later analysis.
4. **Data Analysis:** Organize and analyze the collected data using thematic analysis techniques to identify key patterns and themes that emerge from interviews and observations.

Data Analysis Techniques

The collected data will be analyzed using thematic analysis. The analysis process will involve the following steps:

1. **Data Transcription:** All recorded interviews will be transcribed into text form for easy analysis.
2. **Data Coding:** The researcher will code on relevant pieces of data, based on themes or categories that emerged during the interview.
3. **Theme Categorization:** The codes that have been collected will be grouped into main themes that reflect the challenges, constraints, and experiences of MSME managers related to digital financing.

Interpretation and Presentation of Findings: The researcher will interpret the data within a broader context, relate it to existing theories and previous research, and provide recommendations for MSME managers and relevant stakeholders.

3. RESULTS AND DISCUSSION

1. Challenges for MSME Managers in Accessing Digital Financing

The study's results show that the majority of MSME managers in Cirebon City face difficulties in accessing digital financing. Most respondents stated that they had trouble understanding the procedures and requirements on digital financing platforms, especially regarding the administrative provisions and documentation required. Hidayat (2020) also noted that low digital financial literacy is the main obstacle for MSMEs to utilize technology-based financial services.

On the other hand, Setiawan and Arif (2021) in their research on the use of technology for MSME financing also found that although technology can increase efficiency, many MSMEs are hesitant to use it due to a lack of understanding of existing digital technology. Respondents in Cirebon also expressed concerns related to the security of personal data stored on digital financing platforms. According to Faisal (2022), challenges related to data security and privacy are global issues that hinder the adoption of digital technology in the MSME sector.

In addition, several respondents revealed that the limitations of devices and inadequate internet access in the Cirebon area are also significant obstacles. This finding aligns with Sari's (2019) research, which highlights that technological accessibility in non-urban areas significantly impacts the ability of MSMEs to utilize digital financing. Table 1 below illustrates the main challenges faced by MSME managers in Cirebon City in accessing digital funding.

Table 1. Main Challenges Faced by MSME Managers in Cirebon City

Challenge	Percentage of respondents (%)
Difficulty understanding procedures	40%
Data security concerns	35%
Limited devices and internet access	25%

Challenges for MSME Managers in Accessing Digital Financing

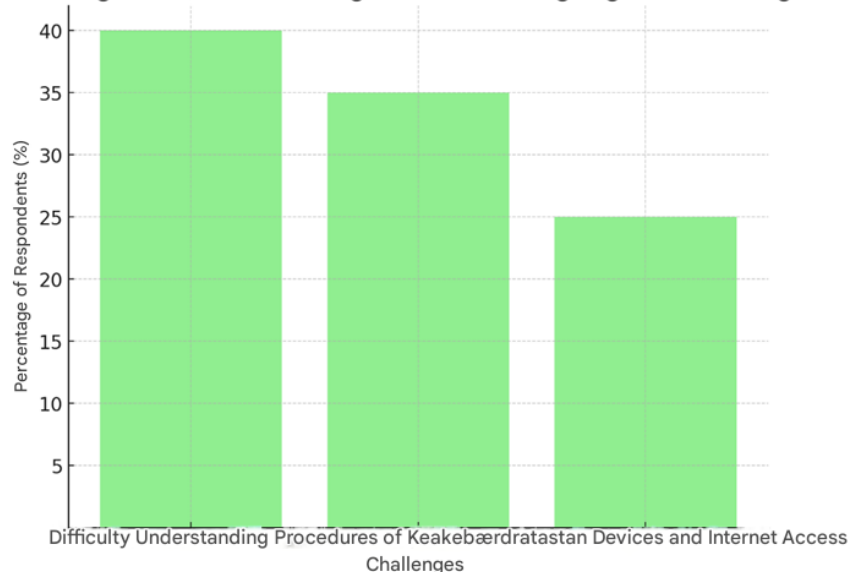


Figure 1. Challenges for MSME Managers in Accessing Digital Financing

2. The Role of Digital Financial Literacy in Increasing Access to Financing

Digital financial literacy is one of the main factors that affect the ability of MSMEs to access digital financing. Based on interviews with MSME managers, it was found that those with a higher level of digital financial literacy find it easier to understand the financing platform and the processes involved. Hidayat (2020) emphasized that a better understanding of digital technology and finance can facilitate easier online loan or financing applications for MSMEs.

Rina et al.'s (2021) research also shows that, although many MSMEs require digital financing, they often lack a sufficient understanding of the available financing products. This has an impact on the low adoption of technology by MSMEs. MSME managers in Cirebon who have a better understanding of digital finance tend to be more confident in using digital financing applications. Faisal (2022) also revealed that training on digital financial literacy can increase the interest of MSMEs in utilizing technology-based financing.

Digital Financial Literacy Level and Access to Financing for MSMEs in Cirebon City

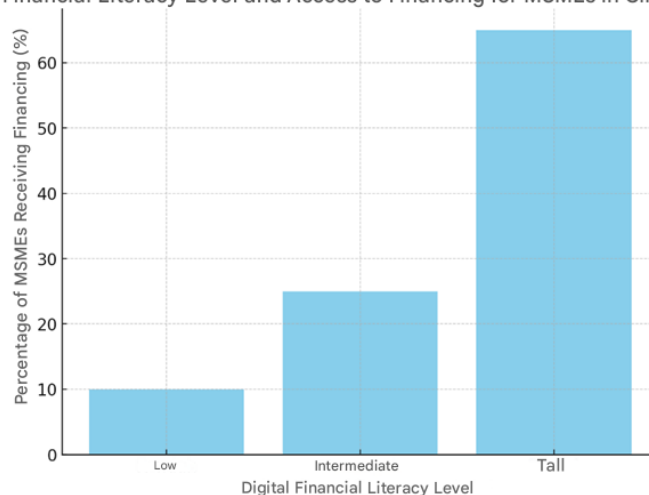


Figure 2. Digital Financial Literacy Level and Access to MSME Financing in Cirebon City

Government and Financial Institution Support in Increasing Access to Financing

Support from the government and financial institutions is an essential factor in helping MSMEs overcome the challenges they face in accessing digital financing. In this study, most MSME managers in Cirebon reported receiving information and assistance from the Cirebon City Cooperatives and MSMEs Office regarding available digital financing services. This finding aligns with research by Setiawan and Arif (2021), which demonstrates that government and financial institution interventions in providing training and information on digital financing can enhance financial inclusion.

In addition, several MSME managers also mentioned that digital financing platforms supported by trusted financial institutions make them feel more secure when applying for financing. Hidayat's research (2020) found that trust in financial institutions and digital platforms is crucial in encouraging MSMEs to utilize these financing services. Table 2 below

shows the form of support received by MSME managers in Cirebon City in accessing digital financing.

Table 2. Support Received by MSME Managers in Cirebon City

Types of Support Received	Percentage of respondents (%)
Information from the government	50%
Technical assistance from financial institutions	30%
Training on digital literacy	20%

3. MSMEs' Expectations for Digital Financing in the Future

Most MSME managers in Cirebon hope that digital financing can be more accessible, with simpler requirements and a more transparent process. They also want improved customer service from digital financing platforms, as well as better security guarantees related to personal data. This aligns with the findings of Hidayat (2020), who stated that MSMEs desire a more inclusive and accessible digital financing system, one that avoids complicated and convoluted processes.

Research by Rina et al. (2021) also states that MSME managers expect ease in obtaining clear information and broader access to various digital financing products. In the future, MSMEs hope to be able to access more funds for their business development without significant obstacles. Faisal (2022) also emphasized that easy access to digital financing will play a crucial role in enhancing the competitiveness of MSMEs in the global market. Figure 3 illustrates the expectations of MSME managers in Cirebon for the future of digital financing.

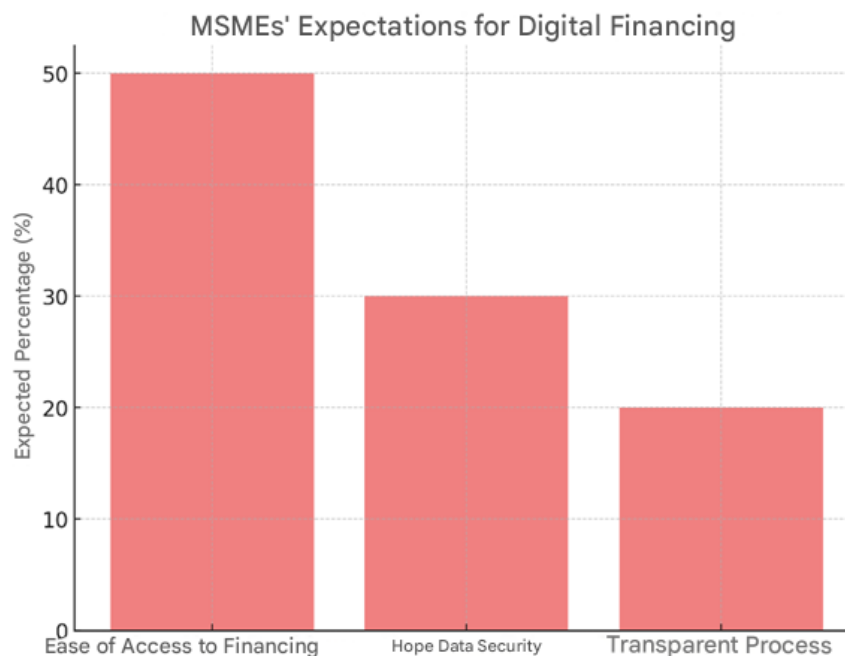


Figure 3. MSMEs' Expectations for Digital Financing

Figure 3 shows the expectations of MSME managers for the future of digital financing. Here, MSME managers want easier access to funding, improved data security, and more transparent processes.

4. CONCLUSION

This research has successfully identified various challenges faced by MSME managers in Cirebon City in accessing digital financing. The main challenges identified include difficulties in understanding financing procedures, concerns related to the security of personal data, and limitations due to inadequate devices and internet access. In addition, this study also reveals that low digital financial literacy is one of the factors that limit MSMEs in utilizing digital financing services. However, the results of this study indicate that with the support of the government and financial institutions in the form of training and information on digital financing, as well as increased financial literacy, MSMEs will be better equipped to access the funding they need.

The contribution of this research to the future is as a basis for developing policies and strategies to increase digital financial inclusion among MSMEs, especially in areas such as Cirebon City. This research offers valuable insights for governments, financial institutions, and digital financing platforms to develop more effective solutions for MSMEs. With a better understanding of the challenges faced, as well as the expectations and needs of MSME managers, it is hoped that a more inclusive ecosystem can be created to support the growth of the MSME sector in the digital era.

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