

ANTECEDENTS OF DIGITAL FINANCING ON MSME IN BANK SYARIAH INDONESIA (BEFORE AND AFTER MERGER)

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ABSTRACT

The aim of this research is to analyze the antecedents (factors which influence) of digital financing at Bank Syariah Indonesia (BSI). This study is focus on data before and after merger. The population of this study is employees of BRI (Bank Rakyat Indonesia) Syariah (before merger) and BSI (after merger) This study have eight objectives to analyze the effect of antecedents (accountability, adequacy of funds, accounting information, operational risk, internal control, and credit analysis) on digital financing for MSME at BSI. The sample was determined based on the random sampling method, in which 100 respondents were obtained using the Slovin formula. All respondents were asked to fill out the questionnaire that had been prepared based on indicators of variables. Data analysis was performed using Partial Least Square-Structural Equation Modeling (PLS-SEM). The research results indicate that from eight hypothesis, six of them are affect and two of them are not affect before merger, but after merger the results show that five of them are affect and three of them are not affect.

Keywords: Digital Financing, Internal Control, Islamic Banking, Micro Business, Operational Risk

PROEM

The current phenomenon shows that financing is one of service that supports the bank's main business. Therefore, financing must be managed properly to avoid various risks that are detrimental to the bank, such as Non-Performing Financing (NPF), fraud or even losses.

In fact, the role of MSMEs in driving the real sector in Indonesia is very important because the Gross Domestic Product (GDP) in Indonesia reach IDR 19,588.4 trillion by the end of 2022, which is supported by MSME about 60%. MSME also support for the economy of Indonesia because contribute 58% of total investment and 14% of total exports (Badan Pusat Statistik (BPS) Indonesia, 2023).

However, the biggest challenge for MSME is capital, so they need financing to fulfill them. Meanwhile, the portion of MSME financing is smaller than non-MSME (Otoritas Jasa Keuangan (OJK), 2019). Therefore, banks must be encouraged to provide financing for MSME. One of the solution is to strengthen MSME to increase economic growth by fulfilling MSME financing digitally.

The gap between phenomenon and facts is that MSME need financing in order to obtain funds to run their business, but most of the financing process still requires customers to come to the bank. Therefore, innovation in the form of adequate digital financing is needed. In this study we observe digital financing at BSI before and after the merger.

THEORETIC

Digital Financing for Micro Business

Digital financing is increasingly widespread in the era of the Covid19 pandemic, especially with social distancing. Digital financing is urgently needed for MSME owners whose capital is very limited. (Lewis & Liu, 2020) argued that in traditional banking and financial sector, investors always try to reduce risk. Therefore, digital financing is a new platform developed to channel capital flows to micro business. Thus, digital financing can become the heart of MSME, exceedingly in critical times, pandemic and crisis.

(Pellegrino & Abe, 2022) stated that digital financing have been implemented in several bank, which offers financing for MSME without present to the bank. Bank encourage their customer to move into online transaction. According to (Ghosh, 2020), bank also analyze the creditworthiness of MSME borrowers through online to get financial data.

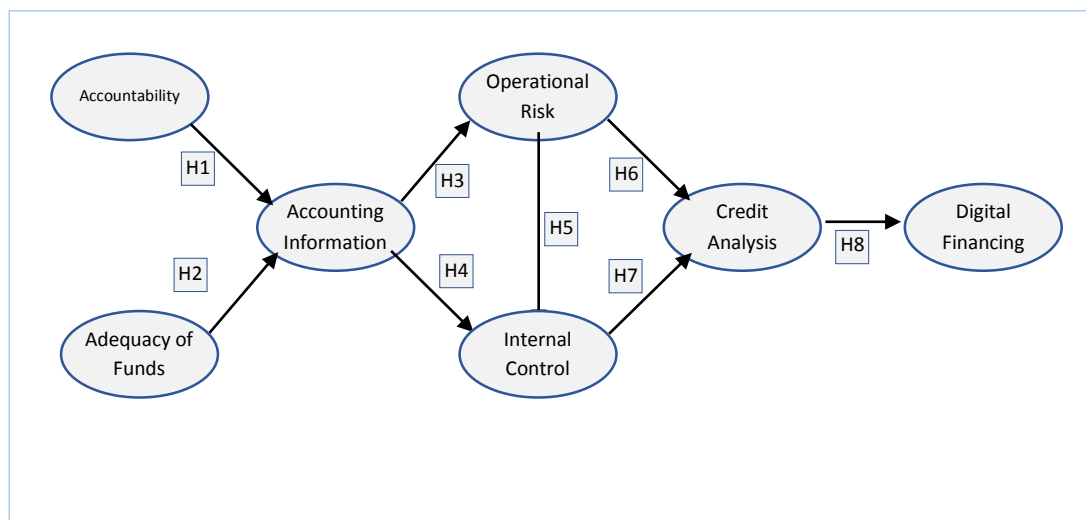
Digital Financing For Islamic Banking

(Magbul & Hassan, 2017) argued that Islamic financing is carried out based on three types of transactions, namely: murabaha, musharaka (profit and loss sharing) and mudaraba (trust financing). (Mohanachandran & Govindarajo, 2019) categorize Islamic financing into two modes specifically, namely products that comply with Sharia and Sharia-based transactions.

MSME owners that use sharia-based transactions will choose Islamic financing over loan from conventional banks. So, it will be easier to convince them to accept Islamic financing (Al Balushi, Locke & Boulanouar, 2019). All of Islamic financing transactions above can implement through digital. The example of digital financing for Islamic bank in Indonesia is from BSI. BSI provide digital financing form BSI KUR (Kredit Usaha Rakyat) based on Murabahah and Ijarah contracts, while BSI Usaha Mikro (Micro Enterprises) with Murabahah, Ijarah and Musyarakah Mutanaqisah contracts.

METHOD

This study uses the Smart PLS (Partial Least Squares) application as a tool to analyze primary data obtained from the answers of respondents who have filled out the questionnaire. This application was chosen because it is very simple, does not require normally distributed data and can be processed well even though the sample is small. This application can also assess a model, whether it is feasible or not (Hidayanto, et al., 2020). This research model can be seen in figure 1 below:



Source : Research Data, 2023

Figure 1. Research Model with eight hypothesis

The population of this study were BRI Syariah employees (before merger) and BSI employees (after merger) who understand the financing process. The aim of this study is to compare the antecedents of digital financing before and after merger which manually compare into eight hypothesis as an answer for research question. The

sampling technique used is the purposive sampling. Methods of data collection by distributing questionnaires to 100 respondents directly.

Measurements were create using the scaling method used to measure respondents' answers to the questionnaire statements. The scale used is a Likert scale, 5-point (Uvais, et al., 2020).

RESULT

Table 1. Loading Factor

Variable	Indicators Code	Loading Factor	
		Before Merger	After Merger
Accountability	AC1	0.692	0.858
	AC2	0.749	0.904
	AC3	0.840	0.894
Adequacy of Fund	AF1	0.806	0.836
	AF2	0.895	0.827
	AF3	0.875	0.905
Accounting Information	AI1	0.688	0.851
	AI2	0.735	0.851
	AI3	0.726	0.883
	AI4	0.719	0.854
	AI5	0.638	0.803
	AI6	0.620	0.795
Operational Risk	OR1	0.732	0.849
	OR2	0.670	0.888
	OR3	0.841	0.906
	OR4	0.746	0.628
Internal Control	IC1	0.745	0.965
	IC2	0.872	0.915
	IC3	0.808	0.936
	IC4	0.819	0.934
	IC5	0.747	0.910
Credit Analysis	CA1	0.665	0.845
	CA2	0.889	0.959
	CA3	0.816	0.856
	CA4	0.674	0.820
	CA5	0.543	0.850
Digital Financing	DF1	0.879	0.745
	DF2	0.841	0.900
	DF3	0.681	0.884

Source: Research Data, 2023

From Table 1 we can find that all of result for loading factor > 0.5 which confirm that the model for study before and after merger is fit. So, the study can proceed to the next stage which are validity and reliability test.

Convergent validity is declared to meet the criteria when each item has an outer loading > 0.7 and the average variance extracted (AVE) of each construct > 0.5 . (Purwanto, 2021). Table 2 and 3 show that all of AVE for this study > 0.5 , so convergent validity before and after merger was accepted. The reliability test was accomplished to determine the consistency and stability of the research instrument, which was defined by the Cronbach's alpha value > 0.7 (Purwanto, 2021). Table 2 and 3 shows that all Cronbach's alpha value > 0.7 , except for Accountability in table 2 is 0.644. But this result is acceptable because the lack of the number is not too significant. Therefore, it can be predicted that the research instrument represented by the questionnaire was stated to be suitable, before and after merger.

Table 2. Reliability Test - Before Merger

Variables	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Accountability (AC)	0.644	0.806	0.582
Adequacy of Fund (AF)	0.823	0.894	0.739
Accounting Information (AI)	0.779	0.844	0.475
Operational Risk (OR)	0.743	0.836	0.562
Internal Control (IC)	0.858	0.898	0.639
Credit Analysis (CA)	0.785	0.846	0.530
Digital Financing (DF)	0.748	0.845	0.648

Source: Research Data, 2023

Table 3. Reliability Test – After Merger

Variables	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Accountability (AC)	0.862	0.916	0.784
Adequacy of Fund (AF)	0.819	0.892	0.734
Accounting Information (AI)	0.916	0.935	0.706
Operational Risk (OR)	0.841	0.893	0.681
Internal Control (IC)	0.962	0.971	0.869
Credit Analysis (CA)	0.917	0.938	0.752
Digital Financing (DF)	0.799	0.882	0.715

Source: Research Data, 2023

Table 4. Result of Hypothesis - Before Merger

Hypotheses	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistics (O/STDEV)	P Values
H1	0.278	0.290	0.108	2.580	0.010
H2	0.516	0.520	0.109	4.723	0.000
H3	0.409	0.403	0.117	3.488	0.001
H4	-0.222	-0.221	0.077	2.861	0.004
H5	0.859	0.863	0.053	16.103	0.000
H6	0.096	0.077	0.151	0.637	0.524
H7	0.486	0.525	0.137	3.557	0.000
H8	0.108	0.122	0.135	0.798	0.425

Source: Research Data, 2023

Table 4 describes the hypothesis before merger from PLS-SEM path model analysis which have eight result to observe:

1. Accountability has effect on accounting information ($t = 2.580$; $p\text{-Value} = 0.010$), H1 is supported.
2. Adequacy of fund has effect on accounting ($t = 4.723$; $p\text{-Value} = 0.000$), H2 is supported.
3. Accounting information has effect on operational risk ($t = 3.488$; $p\text{-Value} = 0.001$), H3 is supported.
4. Accounting information has effect on internal control ($t = 2.861$; $p\text{-Value} = 0.004$), H4 is supported.
5. Operational risk has effect on credit analysis ($t = 16.103$; $p\text{-Value} = 0.000$), H5 is supported.
6. Internal control has no effect on credit analysis ($t = 0.637$; $p\text{-Value} = 0.524$), H6 is not supported.
7. Operational risk has effect on internal control ($t = 3.557$; $p\text{-Value} = 0.000$), H7 is supported.
8. Credit analysis has no effect on digital financing ($t = 0.798$; $p\text{-Value} = 0.425$), H8 is not supported.

Table 5. Result of Hypothesis – After Merger

Hypotheses	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistics (O/STDEV)	P Values
H1	0.187	0.184	0.098	1.902	0.058
H2	0.605	0.614	0.075	8.082	0.000

Hypotheses	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistics (O/STDEV)	P Values
H3	0.582	0.588	0.076	7.671	0.000
H4	0.221	0.231	0.138	1.603	0.110
H5	0.419	0.420	0.093	4.529	0.000
H6	0.271	0.270	0.100	2.701	0.007
H7	0.447	0.435	0.155	2.877	0.004
H8	-0.052	-0.061	0.101	0.519	0.604

Source: Research Data, 2023

Table 5 specifies the hypothesis from PLS-SEM path model analysis which have eight result to observe:

1. Accountability has no effect on accounting information ($t = 1.902$; $p\text{-Value} = 0.058$), H1 is not supported.
2. Adequacy of fund has effect on accounting information ($t = 8.082$; $p\text{-Value} = 0.000$), H2 is supported.
3. Accounting information has effect on operational risk ($t = 7.671$; $p\text{-Value} = 0.000$), H3 is supported.
4. Accounting information has no effect on internal control ($t = 1.603$; $p\text{-Value} = 0.110$), H4 is not supported.
5. Operational risk has effect on credit analysis ($t = 4.529$; $p\text{-Value} = 0.000$), H5 is supported.
6. Internal control has effect on credit analysis ($t = 2.701$; $p\text{-Value} = 0.007$), H6 is supported.
7. Operational risk has effect on internal control ($t = 2.877$; $p\text{-Value} = 0.004$), H7 is supported.
8. Credit analysis has no effect on digital financing ($t = 0.519$; $p\text{-Value} = 0.604$), H8 is not supported.

Based on the research results above, the hypothesis can be described through the following discussion:

This study aims to determine the antecedents of digital financing at BSI before and after the merger. The digital financing antecedents studied were accountability, adequacy of funds, accounting information, operational risk, internal control and credit analysis, which have been developed into eight hypotheses. The results of this research confirm that from eight hypotheses, six of them are effect and two of them are not effect

before merger, however the results after merger show that five of them are effect and three of them are not effect.

1. The first finding is accountability has significant effect on accounting information in digital financing for MSME (before merger). But the funding after merger is accountability has no effect on accounting information. This difference in findings occurs because the hypothesis that can be accepted is if the t-value ≥ 1.96 . Meanwhile, the t-value after the merger is 1,902. This value is 0.058 less than the required t-value, which the effect is too small.
2. The second finding shows that the adequacy of funds has a relationship with accounting information, both for before and after merger. Based on the Sharia Enterprise Theory (SET), funds owned by Islamic banks must comply with good accounting information. Widodo and Asas (2017) found that the adequacy of funds has a positive relationship to financing.
3. The appropriate accounting information can support digital financing in Islamic banks. The process can be done based on the bank's SOP (Standard Operating Procedure) as a fulfillment of operational risk mitigation. So, accounting information has an effects on operational risk, which is in line with the third finding for study before and after merger.
4. Accounting information can be processed through the bank's internal control over transactions. Internal control itself can be performed through audits, risk assessments, and even control through the system (dual control, verification), and so on. If the bank is able to carry out this process well, the financing made will be have a good quality. So, accounting information has effect on internal control, in line with fourth finding of this study before merger, but not for after merger.
5. Operational risk and credit risk are part of the risk management. Both of risk are associated with financing (Arkanuddin, 2021). Thus, operational risk is heavily influence to credit analysis as a part of credit risk. This is in line with the fifth finding for this study before and after merger.
6. According to (Chatterjee & Dhaigude, 2020), internal control and risk management are factors that have important role to support bank performance (including for digital financing). This process should be done through credit analysis (which is part of risk management). So, the sixth finding which stated

internal control has effect on credit analysis is accepted for this study after merger, but not accepted for this study before merger.

7. (Vashisht , 2022) stated that credit risk and operational risk must be carried out to predict financing default rates through internal controls. Thus, the seventh finding of this study which states that operational risk has an effect on internal control is relevant for study before and after merger. In determining the financing process, operational risk must be considered so that losses do not occur.
8. (Kambe & Tamamura, 2022) found that related to financing, financial institutions/bank should consider credit analysis. (Magbul & Hassan, 2017) argued that credit analysis has an effect on financing. However, this study found that credit analysis has no effect on digital financing (before and after merger), which is contrary to the previous research.

CONCLUSION

The empirical results of this study lead to the following conclusions:

Before Merger

1. Accountability has significant effect on accounting information
2. Adequacy of fund affect the accounting information
3. Accounting information has significant effect on operational risk
4. Accounting information has an effect on internal control
5. Operational risk affects to credit analysis
6. Internal control has no effect on credit analysis
7. Operational risk has significant effect on internal control
8. Credit analysis has no effect on digital financing

After Merger

1. Accountability has no effect on accounting information
2. Adequacy of fund affect the accounting information
3. Accounting information has significant effect on operational risk
4. Accounting information has no effect on internal control
5. Operational risk affects credit analysis
6. Internal control has significant effect on credit analysis
7. Operational risk has significant effect on internal control

8. Credit analysis has no effect on digital financing

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