

## Securities Crowdfunding (SCF) System As An Alternative To MSMEs Funding In East Java

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### ABSTRACT:

Fintech has a significant impact on the ease of society in meeting their financial needs. Fintech through Securities Crowdfunding can also be an alternative to new funding by expanding access to capital for MSMEs and start-ups. With the advancement of technology and information systems that are present in the form of Securities Crowdfunding. Making it easier for MSMEs to obtain funding, in addition to simpler requirements, this Securities Crowdfunding platform can be accessed through gadgets or computer devices with the help of the internet anywhere and anytime. The purpose of this paper is not only to explain the concept of the Securities Crowdfunding system in Indonesia, but also to analyze the potential of the Securities Crowdfunding, especially in East Java.

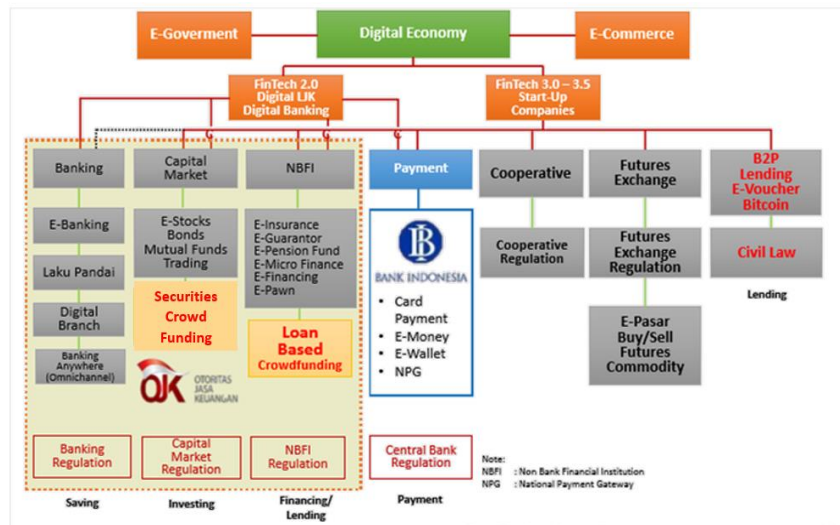
**Keywords :** Fintech, Crowdfunding, Securities Crowdfunding

**JEL Classification:** N7.

## INTRODUCTION

The development of technology and information has a great influence on all aspects of people's lives, for example in education, transportation, health and finance. The rapid and dynamic development of technology and information encourages the financial industry to always innovate to provide services to the society. One of the most significant innovations and breakthroughs for the financial industry is the presence of information technology-based financial services commonly referred to as financial technology or fintech. Fintech is a form of application of information technology in the financial sector that first appeared in 2004 by Zopa, a financial institution in the UK that runs money lending services, which today has penetrated into various types of applications for various types of transactions [1]. The benefits that can be taken from the development of fintech in Indonesia are that fintech can reach various business lines without being limited in space and time (wider reach), besides that fintech has accurate business processes so that the delivery of information is also faster and more efficient and has an impact on making faster and more precise decisions. Fintech also can be an alternative to new funding by expanding access to capital for MSMEs and start-ups. In Indonesia, there are several types of fintech including payments, financing or crowdfunding, lending, retail investment, E-Commerce, etc. In terms of Fintech in Financial Service Institutions that have Authority on this matter is the Financial Services Authority of the Republic of Indonesia (OJK), and related to Fintech In the payment system That has the Authority to do so is Bank Indonesia. The following is an overview of fintech regulators in Indonesia:

Figure 1. overview of fintech regulators in Indonesia



Source : presentation of OJK

The existence of fintech, various financial needs of the community can be accessed through information technology. In terms of retail financing and investment, the existence of this technology makes the public both as retail investors and as parties who need funding for their business all accessible very easily. In addition, the Indonesian government also proactively supports the existence of technology in this field, by regulating this crowdfunding service. In 2018, The Financial Services Authority of the Republic of Indonesia (OJK) issued POJK Number 37 of 2018 concerning Crowdfunding Services about Information Technology-Based Stock Offerings (Equity Crowdfunding), then to expand the types of securities and to be more accessible to MSMEs, OJK issued POJK Number 57 / POJK.04 / 2020 concerning Securities Offering through Information Technology-Based Crowdfunding Services or so-called Securities Crowdfunding (SCF). There are differences between Equity Crowdfunding and Securities Crowdfunding, including related to the type of securities, Equity Crowdfunding only offers types of securities in the form of shares and the issuer must be in the form of a limited liability company (PT) while through Securities Crowdfunding the types of securities offered are not only limited to stocks but can be in the form of bonds, and sukuk. Likewise, regarding the criteria for Securities Crowdfunding issuers, Securities Crowdfunding can be accessed by issuers either in the form of PT, cooperatives, CVs, etc. Basically, SCF is a form of improvement of the Equity Crowdfunding, but both have the same purpose. Through SCF, it is hoped that MSMEs can get funding or additional capital to increase their business capacity through community participation. Furthermore, the public as investors will get the returns as agreed. Based on data until May 2022, there have been 10 companies as Securities Crowdfunding providers. The organizing company is a company that acts as a platform provider. Where through this platform it can bring together MSME players who need funds and the community as investors. Meanwhile, the number of MSMEs in Indonesia that have used Securities Crowdfunding as an alternative capital funding is 230.

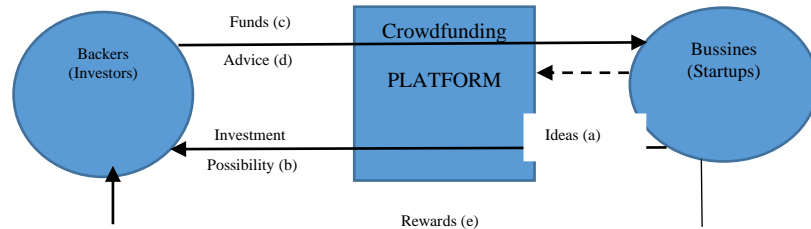
## RESEARCH BACKGROUND

Information systems are systems that are developed based on user needs both from the human and business side. Information Systems were created basically formed from a combination of humans, data, and information technology aimed at supporting business needs. The five main components of an Information system are hardware, software, data, processes, and humans. System Information indicates the system that can generate useful information. This information system (SI) uses information technology, so it is also called the term information technology system (STI), which is a system that uses information technology. The information system used is an Information system (information system) and an Information technology system (information technology system) alternately with the same meaning. [2].

Crowdfunding is another definition of the fund-raising method, this crowdfunding usually uses a website platform from the owner of the fund to the initiation of a project. Crowdfunding is strongly supported by the

development of the internet, there are 2 things that underlie the concept of Crowdfunding the first is that the internet allows to collect funds from several fund owners, either. Collecting small to large funds, so it can reduce transaction costs. Secondly, the internet allows connecting directly between fund owners and fund seekers without intermediaries so that this Crowdfunding Platform can be a facilitator of meetings between the two.

Figure 2. Framework Crowdfunding



There are four types of funding, namely:

1. Donation Based. Is a type of funding where the fund owner donates his funds to help a particular program without expecting a return
2. Reward Based. Is a type of funding where the owner of the fund aims to provide his funds as a form of gift or product.
3. Lending Based. Is a type of funding in which funders get periodic profits and still get back their initial funds in the form of loans.
4. Equity Based. Is a type of funding in which the funder receives a compensation of profits based on income or profit arrangements that have been agreed upon. In other words, the entrepreneur decides how much money he wants or wants to increase the percentage of his profits usually in the form of shares or holdings[3].

Based on POJK No. 57/POJK.04/2020 dated December 10, 2020 as in this Financial Services Authority Regulation, what is meant by SCF is Securities Offering about Information Technology-Based Crowdfunding Services which is hereinafter referred to as Crowdfunding Services is the implementation of securities offering services carried out by issuers to sell securities directly to financiers through an open electronic system network.

In general, in accordance with the provisions of the government of the Republic of Indonesia in the Law of the Republic of Indonesia (UU) Number 20 of 2008 concerning Micro, Small, and Medium Enterprises, it can be explained about definition of Micro, Small, and Medium Enterprises (MSMEs) is:

1. Micro Business are productive businesses belonging to individuals and / or individual business entities with with criteria in table
2. Small Business is a productive economic business that stands alone, by individuals or business entities that are not subsidiaries or not branches of companies that belong to, are controlled or become a direct or indirect part of Medium Business or Large Business with criteria in table.
3. Medium Business are independent productive economic enterprises, by individuals or business entities that are not subsidiaries or branches of companies that belong to, are controlled or become a direct or indirect part of Small Businesses or Large Business with criteria in table.
4. Large Business are productive economic businesses by business entities with a greater amount of net worth or sales proceeds than Medium Business.

Table 1. Criteria MSMEs

MSMEs	Criteria	
	Asset	Omsset
Micro	Max Rp.50.000.000	Max Rp.300.000.000
Small	> Rp.50.000.000 – Rp.500.000.000	Max Rp.300.000.000
Medium	> Rp.500.000.000 – Rp.10.000.000.000	> Rp.2.500.000.000 – Rp.50.000.000.000

## METHODOLOGY

The technique used is descriptive analysis with secondary data from several literatures form of books, journals, and previous research related to the problem under study. In addition, the researcher also collect and process internal data from the regulator (OJK) and analyzing the Securities Crowdfunding platform content from the platform/provider of the Securities Crowdfunding platform that has been licensed at the OJK.

## RESULT AND DISCUSSION

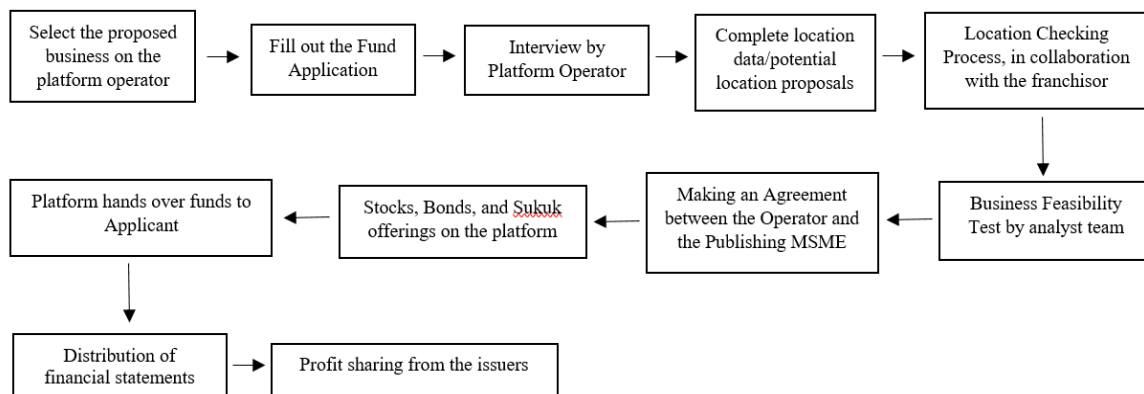
Before the existence of Securities Crowdfunding, MSMEs could obtain funding through banking or initial public offerings in the Capital Market, but both have detailed and complicated requirements. Usually MSMEs, also quite difficult to obtain funding from banks and IPOs in the Capital Market. With the advancement of technology and information systems that are present in the form of Securities Crowdfunding, it's making easier for MSMEs to obtain funding, in addition to simpler requirements. This Securities Crowdfunding platform can be accessed by gadgets or computer devices with the help of the internet anywhere and anytime. In addition to convenience for MSMEs players, the existence of this Securities Crowdfunding also provides an alternative investment for investors, especially retail investors. By the concept of crowdfunding, people can become investors with a low nominal investment. The following are the details of the benefits of Securities Crowdfunding:

Table 2. Benefits of Securities Crowdfunding

Participants	Benefit
For Issuers / MSMEs	Alternative financing for MSMEs and start-ups, and helping both develop through Capital Market financing
For Platform / Providers	Helping financial technology start-up companies to develop in the Capital Market industry
For financiers or Investors	Obtaining the impact of the agreed results (dividends, profit sharing, etc.)

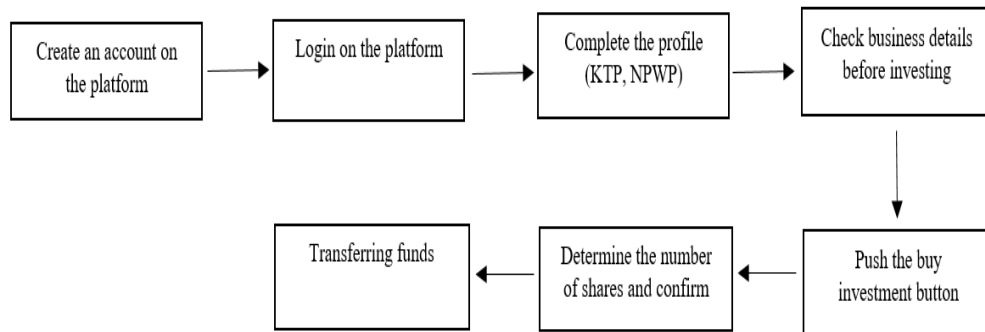
The following analyzes the process of using the Securities Crowdfunding platform from the MSMEs and from the investor. Before applying for funds, MSMEs must meet the requirements and fulfillment as regulated in POJK Number 57 / POJK.04 / 2020 about Securities Offering through Information Technology-Based Crowdfunding Services or so-called Securities Crowdfunding (SCF). The mechanism for implementing Securities Crowdfunding is based on information obtained from one of the Platform / Providers websites as described by the following process flow:

Figure 3 : Fund Raising Process by MSMEs



In the investment process, investors can first simulate the amount they want to invest and the value of dividends or profit sharing that will be obtained from the simulation results. The simulation process flow below is the result of an analysis of several processes on the Securities Crowdfunding platform in Indonesia

Figure 4 ; Process Investment by Investor



Source : own data

Based on OJK data in April 2022, it's stated that currently in Indonesia there are 10 platform providers, 224 issuer from MSMEs, 107.118 investors with total funds raised from Securities Crowdfunding are 452,4 Billion Rupiah.

Table 3. National Data of Securities Crowdfunding

SCF		Dec 30,2020	Dec 30,2021	Apr 10,2022
	Platform / Providers	4	7	10
	Issuers / MSMEs	129	200	224
	financiers or Investors	22.341	45.176	103.730
	Funds Raised	Rp191,2 M	Rp404,9 M	Rp. 452,4 B

Source: Own Data From Internal OJK (2022)

Tabel 4. 10 platform/ Providers Securities Crowdfunding under the supervision of the OJK

No.	Nama Penyelenggara
1.	PT LBS Urun Dana (LBS Urun Dana)
2.	PT Shafiq Digital Indonesia (SHAFIQ)
3.	PT Likuid Jaya Pratama (Ekuid)
4.	PT Dana Saham Bersama (Dana Saham)
5.	PT Investasi Digital Nusantara
6.	PT Dana Investasi Bersama (FundEx)
7.	PT Crowddana Teknologi Indonusa
8.	PT Santara Daya Inspiratama
9.	PT Numex Teknologi Indonesia (LandX)
10.	PT Dana Rintis Indonesia (Udana)

Source: Own Data From Internal OJK (2022)

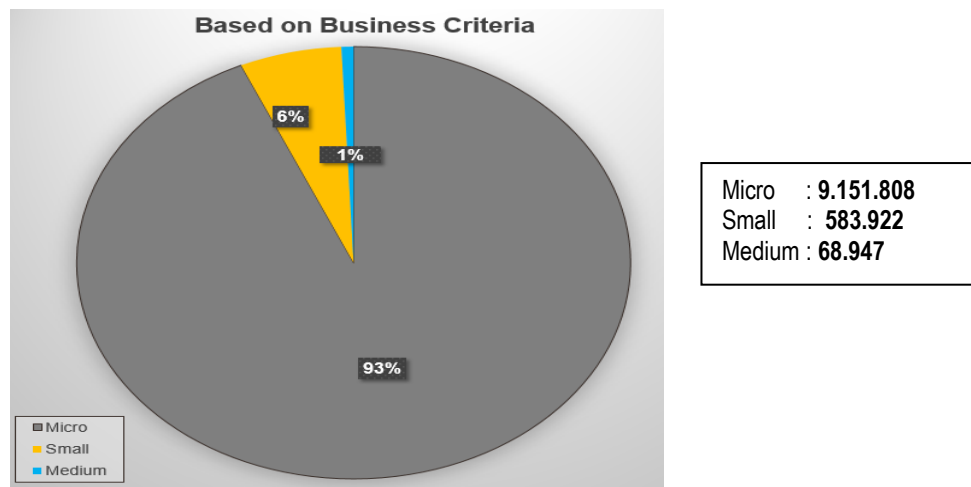
Tabel 5. The Details Of Their Business Sectors And The Amount Of Funding

Sector Business of MSMEs	Investor	Funds Raised	Dividen
Accounting & Tax Services	1	2.000.000.000	-
Agriculture/Agriculture	8299	35.578.524.000	1.408.296.819
Education	2234	4.500.000.000	110.528.175
Fishery / Fish pond	778	3.360.000.000	-
Hotel & Inns	5241	67.037.010.000	2.379.090.266
Manufacturing, Wholesale, Distribution	7370	17.374.362.800	409.976.931
Other	3637	13.800.500.000	-
IT Consultant / Software house	44	1.196.000.000	
Personal Care, Health and Medicine	3096	12.800.000.000	931.969.421
Real Estate / Properties	1138	-	-
Restaurants / F&B	45420	178.903.519.800	5.454.934.300
Security System & Service	3925	31.531.250.000	870.266.045
Shopping & Retail	18353	71.307.200.000	3.871.792.273
Sports & Recreation	1666	8.600.000.000	
Textile & Garment	696	2.000.000.000	60.029.732
Transportation	1832	3.000.000.000	-
<b>Total</b>	<b>103.730</b>	<b>452.988.366.600</b>	<b>15.496.883.962</b>

Source: Own Data From Internal OJK (2022)

The data above shows that Securities Crowdfunding has great potential as an alternative source of funding in Indonesia, this is due to the ease provided in the Securities Crowdfunding system. The following analyzes the process of using the Securities Crowdfunding platform both from the MSMEs player and from the side as an investor. Not only in Indonesia, in East Java with a total population of Jawa Timur Province in 2021 is based on the results of population projections of around 40,666 million people and the number of MSMEs as many as 9,804,677 as illustrated in the diagram below:

Figure 5 :Business Criteria East Java MSMEs

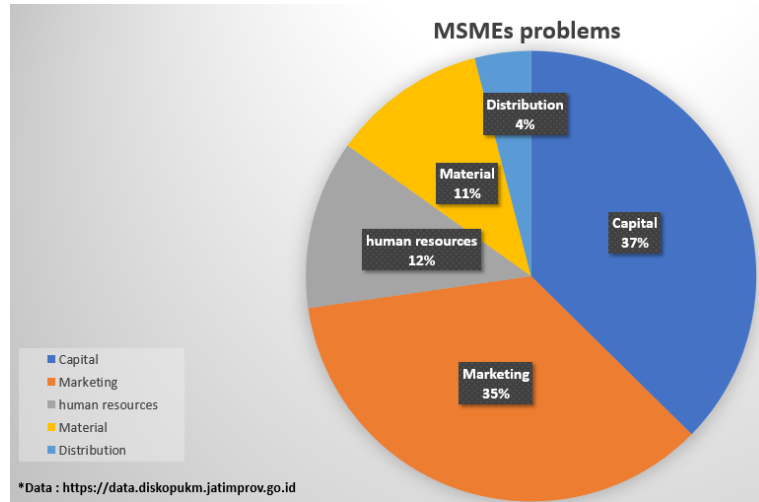


source : <https://data.diskopukm.jatimprov.go.id>



There are various problems faced by MSMEs, including capital, marketing, distribution, human resources and raw materials. The main problem faced by MSMEs is dominated by capital problems, which is 37%, here are the detailed percentages:

Figure 6 : East Java MSMEs Problems



source : <https://data.diskopukm.jatimprov.go.id>

Based on OJK data in April 2022 from the number of MSMEs as many as 9,804,677 only 17 MSMEs consisting of various business sectors, namely Agriculture, Restaurants / F&B, Security System & Service and Shopping & Retail who have utilized Securities Crowdfunding as a solution to their capital problems. Of the 17 MSMEs, the funds raised were 19.4 billion Rupiah.

Tabel 6. The Details Of Their Business Sectors And The Amount Of Funding In East Java

Sector Business	Investor	Fund Raising	Sum of Dividen
Agriculture	1.404	3.150.000.000	60.398.500
Restaurants / F&B	3.235	9.156.650.000	225.437.936
Security System & Service	868	2.000.000.000	55.518.909
Shopping & Retail	988	5.058.950.000	46.737.854
Total	6.495	19.365.600.000	388.093.199

No	Platform	Issuer/ MSMEs	Sector	Investor	Fund Raising
1	Bizhare	PT sinergi sukses kuliner	Restaurants / F&B	15	Rp 260.000.000
2	Santara	PT manggala karya bangun sarar	Agriculture	44	Rp 150.000.000
3	Santara	PT rahajeng bersama unggas	Agriculture	166	Rp 500.000.000
4	Santara	PT cerita hidup sehat	Restaurants / F&B	261	Rp 1.200.000.000
5	Santara	PT bima jaya mukti	Shopping & Retail	298	Rp 1.800.000.000
6	Santara	PT samudera limpah artha	Restaurants / F&B	320	Rp 600.000.000
7	Santara	PT jali merah nusantara	Restaurants / F&B	301	Rp 600.000.000
8	Santara	PT azfasa kulineri indotama	Restaurants / F&B	282	Rp 600.000.000
9	Santara	PT indonesia berkah kulina	Restaurants / F&B	268	Rp 550.000.000
10	Santara	PT soni saktie sejahtera	Security System & Serv	868	Rp 2.000.000.000
11	Santara	PT bersama jawa timur bisa	Restaurants / F&B	1.300	Rp 2.500.000.000
12	Santara	PT kandang pintar indonesia	Agriculture	817	Rp 1.700.000.000
13	Bizhare	PT restoran berdikari sukses	Restaurants / F&B	119	Rp 366.650.000

14	Santara	PT ayam broiler nusantara	Agriculture	377	Rp	800.000.000
15	Bizhare	PT gerai kota pahlawan	Shopping & Retail	142	Rp	1.425.000.000
16	Bizhare	PT. kencana baja abadi	Shopping & Retail	548	Rp	1.833.950.000
17	Crowddana	PT magal grand city surabaya	Restaurants / F&B	369	Rp	2.480.000.000

Looking at the data analysis above, it shows that of the 9,804,677 MSMEs in East Java, only 0.00018% have utilized Securities Crowdfunding as an alternative to their capital. In addition, the number of Securities Crowdfunding investors in East Java is still low, around 6.495 or 6% of the total national investors, while the population of East Java is quite large. Thus, East Java has enormous potential to encourage its MSMEs to solve their capital problems through Securities Crowdfunding and to encourage people to start investing in Securities Crowdfunding.

## CONCLUSION

Securities Crowdfunding is an innovative information system technology in terms of financial business. Securities Crowdfunding F is here to provide Securities Crowdfunding is an innovative information system technology in terms of financial business. Securities Crowdfunding is here to provide alternative funding for MSMEs through the capital market sector with easier requirements and easier access. In Indonesia, quite a lot of MSMEs have begun to use Securities Crowdfunding as a solution to their capital problems, while in East Java only a small number of MSMEs have utilized Securities Crowdfunding even though East Java has enormous potential as an Securities Crowdfunding driver. The lack of utilization of Securities Crowdfunding by MSMEs is due to several obstacles, including the low level of public literacy in the Capital Market sector, especially related to the existence of Securities Crowdfunding, besides that there are still many MSMEs that are not tech-savvy so most prefer traditional funding through banks with interest. The presence of Securities Crowdfunding must be welcomed by the public and the government, this is because Securities Crowdfunding is a system technology in the financial business that is in line with the Sustainable Development Goals, especially in point 8, namely decent work and economic work. Through Securities Crowdfunding, MSMEs can grow and develop so as to encourage the presence of jobs for the community which can directly increase economic growth. This can also indirectly have an impact on reducing poverty, hunger, social inequality to create a prosperous community life as points 1, 2, 10 and 3 of the Sustainable Development Goals

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