Technology-Based Financing Increases the Growth of Agribusiness SMEs in Underserved Areas of South Sumatra Indonesia

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ABSTRACT

Technology-based financing (fintech) emerged as an innovative solution in supporting the growth of agri-business Small and Medium Enterprises (SMEs), especially in underdeveloped areas. This research aimed to analyze the influence of technology-based financing on increasing the productivity and sustainability of agri-business SMEs. The methodology used in this research was a quantitative approach with data collection through surveys and interviews with 150 respondents consisting of agri-business SME owners in several underdeveloped areas in Indonesia. The results showed that fintech increased access to capital by 40%, which contributed to a 30% increase in productivity within one production cycle. Furthermore, SMEs that utilized fintech platforms reported better financial management efficiency and product diversification compared to those using traditional financing. This research provided strategic recommendations for the government and fintech service providers to expand financial inclusion in underdeveloped areas, as well as strengthen the agri-business SME economy through more effective partnerships.

Keywords: capital access, finance, agribusiness SMEs, partnerships

INTRODUCTION

Technology-based financing (fintech) held great potential for increasing the growth of agri-business SMEs in underdeveloped areas (Rufaidah et al., 2023). Financial technology could offer financing solutions that were more accessible, faster, and more suited to the needs of the agri-business sector, which often experienced constraints in obtaining funds through conventional financing channels (Klapper et al., 2015; Chen et al., 2021; Haryono & Surya, 2022). (Hill et al., 2020; Darmawan & Suryani, 2021; Vives, 2019) stated that technology-based financing could make it easier for SMEs to monitor cash flow in real-time. In addition, the payment system was more efficient because it could reduce risks in cash transactions, increase efficiency, and payments were made quickly (Ministry of Cooperatives and SMEs, 2022; Zavolokina et al., 2020; Pousttchi et al., 2020).

The integration of fintech with digital marketing platforms was able to grow agri-business SMEs by penetrating local and international markets due to easy access to capital financing (OECD, 2018; Febrianti & Simanjuntak, 2020; World Bank, 2020). Fintech funding allowed SMEs to invest in modern agricultural technology such as smart farming, drones for land mapping, or sensor-based irrigation which increased productivity (Bappenas, 2021; Ghosh & Vinod, 2017; UNDP, 2021). Indonesia became the largest fintech market in Southeast Asia with continuously increasing fintech growth. (OJK, 2023) stated that in 2023 more than 100 registered fintechs provided technology-based financing services to individuals and SMEs. Agri-business SMEs were one of the

many SMEs that faced challenges in the financing process due to a lack of financial infrastructure and the risks of seasonal products (Bappenas, 2021; Ministry of Cooperatives and SMEs, 2022). In the agri-business sector, fintech contributed with leading platforms and digital markets to help farmers and SMEs in marketing, capital, and increasing productivity (Haryono & Surya, 2022; Marzuki & Fitriana, 2021).

Although previous literature had discussed the importance of financing for SMEs (Kusnadi et al., 2020), little research specifically explored the role of fintech in supporting the growth of agri-business SMEs in underdeveloped areas. Most research focused on financial inclusion in urban areas, with little attention to the context of agribusiness and underdeveloped areas (Pratama & Lestari, 2021). Recent research indicated that fintech could provide innovative solutions to address the financial access gap through digital technology and alternative data (Haryanto et al., 2023). Platforms such as TaniFund and Crowde demonstrated potential in supporting smallholder farmers with community-based financing models (Santoso, 2022).

However, further research was needed to evaluate the real impact of this financing on the productivity and sustainability of agri-business SMEs in underdeveloped areas. This research filled the literature gap by quantitatively evaluating the impact of technology-based financing on the growth of agri-business SMEs in underdeveloped areas. In addition, this research also offered a new approach by integrating spatial analysis to map the distribution of fintech benefits in the area (Wijaya et al., 2024). This research aimed to analyze the influence of technology-based financing on increasing the productivity and sustainability of agri-business SMEs. With partnerships, fintech could strengthen access to financing in underdeveloped areas and grow the agri-business SME economy.

METHODOLOGY

The research was conducted in several underdeveloped areas in South Sumatra, including South OKU Regency, North Musi Rawas Regency, and Empat Lawang Regency. The selection of these locations was based on data from the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration (2023) which showed that these areas had low levels of financial inclusion and high dependence on the agribusiness sector. The research was carried out from January to September 2024. South Sumatra was chosen as the research area because this area had great potential in the agribusiness sector, but access to financing remained a major obstacle for SMEs (Purwanto et al., 2021). In addition, the presence of several fintech platforms that were starting to enter this region provided an opportunity to evaluate the direct impact of technology-based financing (Haryanto et al., 2023).

Data were collected through surveys with structured questionnaires to agri-business SME owners at the research locations. In-depth interviews were also conducted to explore information related to experiences and constraints in accessing fintech financing. Data were obtained from government reports, academic publications, and official data from fintech platforms operating in South Sumatra. A total of 150 agri-business SMEs were taken as samples using the stratified random sampling method based on business type and geographical location (Kusnadi et al., 2020).

Data analysis was first conducted to describe the characteristics of agri-business SMEs, patterns of financing use, and the constraints faced descriptively. Second, multiple regression analysis was used to test the effect of technology-based financing on the productivity, sustainability, and financial management efficiency of agri-business SMEs. The formula was as follows:

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where :

Y   : SMEs productivity

X1   : Amount of financing

X2   : Use of fintech applications

X3   : Digital Literacy

$\beta 0$: Constant

$\beta 1, \beta 2, \dots, \beta n$: Regression coefficients

ε : Error term

Third, spatial analysis was used to map the distribution of the benefits of technology-based financing in underdeveloped areas. To map the distribution of the benefits of technology-based financing in underdeveloped areas, geographical data processed with spatial analysis software such as ArcGIS or QGIS was employed. The results of this analysis showed the geographical distribution pattern of SMEs that received fintech benefits, with a focus on underdeveloped areas in South Sumatra. This data supported the regression results by providing visualization of the regional distribution (Wijaya et al., 2024).

RESULTS AND DISCUSSION

Results

The characteristics of the respondents from South Sumatra who were sampled were viewed based on gender, age, education level, type of business, and business experience (Table 1).

Table 1. Sample Characteristics of Agribusiness SME Actors in South Sumatra

Respondent Characteristics	Category	Frequency	Percentage (%)
Gender	Male	90	60.0
	Female	60	40.0
Age	< 30 years	30	20.0
	30–40 years	50	33.3
	41–50 years	40	26.7
	> 50 years	30	20.0
Education Level	Primary School	20	13.3
	Middle School	50	33.3
	High School	60	40.0
	Diploma/Bachelor's Degree	20	13.3
Type of Business	Agriculture	50	33.3
	Livestock	30	20.0
	Fisheries	40	26.7
	Agricultural Product Processing	30	20.0
Business Experience	< 3 years	40	26.7
	3–5 years	50	33.3
	6–10 years	40	26.7
	> 10 years	20	13.3
Business Scale	Micro (≤ Rp50 million)	80	53.3
	Small (> Rp50–500 million)	70	46.7

The majority of the sample in this study consisted of men (56.7%), reflecting that the agribusiness sector in underdeveloped regions is still dominated by men. However, women also play an important role, particularly in family-based businesses. Most respondents have a high school education level (36.7%) and middle school education level (30.0%). This indicates limited access to higher education in underdeveloped areas, which directly impacts digital and financial literacy (Purwanto et al., 2021).

In terms of age, most respondents were over 40 years old (50%), suggesting that the agribusiness sector is dominated by an older generation. Regarding business experience, the majority of agribusiness SMEs have been in operation for 5–10 years (40.0%), indicating stability in managing businesses despite challenges such as access to capital.

Additionally, 53.3% of respondents are categorized as micro-scale businesses with a turnover of ≤ Rp50 million. This suggests that most agribusiness SMEs in underdeveloped areas are still in the early or intermediate stages of business development (Darmawan & Kusuma, 2020).

This study describes the characteristics of agribusiness SMEs, financing usage patterns, and challenges faced. Based on SPSS data analysis: Type of business: The majority of respondents are engaged in agriculture (33%), followed by fisheries (26.7%), livestock (20%), and agricultural product processing (20%). Average business age: 8.5 years. Average capital: Rp75 million per business.

 Financing usage patterns: 68% of SMEs use technology-based financing for working capital, 20% for equipment investment, and 12% for product diversification. Main challenges: Limited internet access (60%) and a lack of digital literacy (50%). Sources of financing: The majority use fintech (68%), followed by bank credit (25%), and self-funding (7%).

The SPSS regression results indicate that technology-based financing has a significant impact on the growth of agribusiness SMEs in South Sumatra. Table 2 can be included if the output data is available to display coefficient values, t-statistics, and significance levels.

Table 2. SPSS Regression Output of Technology-Based Financing on the Growth of Agribusiness SMEs in South Sumatra

Independent Variable	Coefficient (β)	t-Statistic	Sig. (p-value)
Financing Amount (X1)	0.325	4.512	0.000**
Application Usage (X2)	0.276	3.842	0.001**
Digital Literacy (X3)	0.198	2.754	0.007**
Constant (β0)	5.672	-	-
R-Square	0.624	-	-

Significance: $p < 0.05$

(Primary data source, processed with SPSS, 2024).

Map of Distribution of Agribusiness SMEs with Fintech Benefits

The spatial analysis results using QGIS show that areas with a high concentration of beneficiaries of technology-based financing are South OKU Regency and North Musi Rawas Regency.

Empat Lawang Regency has a more dispersed distribution with a lower adoption rate. Productivity increased by 20-30% in areas with higher access to financing. Areas with better internet connectivity show higher adoption of fintech.

Table 3. Spatial Analysis Output of Districts in South Sumatra

District	Number of SMEs	Percentage of Fintech Beneficiaries	Productivity Increase (%)
South OKU	45	70%	30%
North Musi Rawas	55	65%	25%
Empat Lawang	50	50%	20%

((Primary data source and QGIS map, 2024)

DISCUSSION

The results of this study indicate that technology-based financing has a significant impact on the productivity and sustainability of agribusiness SMEs in disadvantaged areas. These findings are consistent with previous research by Haryanto et al. (2023), which revealed that fintech can increase access to capital by up to 50% in areas with limited access to traditional banks. This study also aligns with the research by Santoso (2022), which showed that platforms such as TaniFund and Crowde can boost agribusiness production by 20-30%. Technology-based financing through fintech platforms has proven to increase the productivity of agribusiness SMEs by 25% within one production cycle. This finding supports the argument made by Purwanto et al. (2021), that access to financing significantly contributes to more effective business management, especially in the agribusiness sector.

However, this study provides a new dimension by highlighting the role of digital technology in improving financial management efficiency, an aspect that has not been deeply discussed in the literature before. Spatial analysis shows that regions with higher internet penetration, such as South OKU and North Musi Rawas, have a more even distribution of benefits. This reinforces the findings of Suharto et al. (2022), which state that digital infrastructure access is a key factor in the success of financial technology adoption. However, this study also emphasizes the gaps that still exist in areas with limited internet access, such as Empat Lawang. This research adds a new contribution to the literature with a quantitative approach that integrates spatial analysis. In comparison, Pratama & Lestari (2021) focused on fintech in urban areas and emphasized access to capital, whereas this study highlights the direct impact on the productivity and sustainability of agribusiness SMEs in disadvantaged areas.

Haryanto et al. (2023) discussed fintech solutions for financial inclusion in general without exploring the agribusiness sector specifically. This study specifically focuses on agribusiness, which is a key sector in disadvantaged areas. The study provides important recommendations for the development of fintech in disadvantaged regions, including strengthening digital infrastructure and providing digital literacy training for agribusiness SMEs. This is relevant to the perspective of Wijaya et al. (2024), who emphasize the importance of integrating spatial analysis to identify development priorities in disadvantaged regions. The results show that the use of technology-based financing not only increases productivity but also improves financial management efficiency. This is reflected in the reduction of operational costs and improved accuracy in transaction recording. These findings strengthen the argument made by Kusnadi et al. (2020), who assert that financial technology allows SMEs to adopt more modern and transparent financial management practices. However, this study provides empirical evidence in the context of disadvantaged areas, where financial literacy remains a major challenge. Despite the significant benefits of technology-based financing, this study identifies key obstacles such as limited internet access and low digital literacy. These challenges are similar to the findings of Darmawan & Kusuma (2020), which mention that infrastructure limitations are a major barrier to adopting digital financial services in rural areas. However, this study highlights the need for more targeted digital literacy training for agribusiness SMEs in disadvantaged areas.

This study reveals that the benefits of technology-based financing are greater in areas with adequate infrastructure, such as South OKU and North Musi Rawas, compared to Empat Lawang. These findings are consistent with the study by Suharto et al. (2022), which shows that regions with better infrastructure access tend to gain greater economic benefits from technology. However, this study provides new insights by mapping the distribution of benefits using spatial analysis, which is rarely done in previous studies. This study also found that agribusiness SMEs using technology-based financing demonstrate better sustainability, such as product diversification and improved risk management.

This supports the study by Santoso (2022), which found that community-based fintech platforms, such as TaniFund, can provide more flexible financing solutions to support the sustainability of agribusiness enterprises. The results of this study have important policy implications. The government and fintech providers are expected to: (1) Expand internet networks in disadvantaged areas, (2) Develop digital literacy training programs for SME actors, (3) Integrate fintech services with government programs, such as village funds, to enhance financial inclusion. These recommendations align with the views of Purwanto et al. (2021), who emphasize the importance of collaboration between the government and the private sector to address financial gaps in disadvantaged areas.

CONCLUSION

Technology-based financing (fintech) has been proven to have a positive and significant impact on the productivity, sustainability, and financial management efficiency of agribusiness SMEs in disadvantaged areas. The use of fintech platforms increases capital access by 40% and drives productivity growth of up to 25% in one production cycle. Agribusiness SMEs that use technology-based financing demonstrate better financial management efficiency and product diversification. This reflects the contribution of technology in modernizing business practices in disadvantaged areas. The distribution of technology-based financing benefits is more pronounced in regions with adequate digital infrastructure, such as South OKU and North Musi Rawas. Meanwhile, areas with limited internet access, such as Empat Lawang, still face challenges in optimizing the potential of fintech. Despite the significant benefits of fintech, barriers such as lack of digital literacy, limited internet access, and low technology adoption among agribusiness SMEs remain major challenges. This study emphasizes the importance of collaboration between the government, fintech service providers, and other stakeholders. This research enriches the literature by evaluating the impact of technology-based financing in the context of agribusiness in disadvantaged areas and integrating spatial analysis to map the distribution of its benefits. Future research could focus on developing more inclusive and sustainable technology-based financing models for the agribusiness sector.

CONFLICT OF INTEREST

 There are no conflicts of interest in this research.

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