

## PROFICIENT Community Service

### Bank and Non- Bank Financial Institutions as well Its Role in the Development of Micro, Small and Medium Enterprises (MSMEs).

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#### ABSTRACT

#### Keywords :

Financial institutions, Banks and Non-Banks, MSMEs

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*Devotion to this Community ( PkM ) . discuss role strategic 1k Mini bank and non- bank finance in MSME development , review various initiatives and programs that have been launched , as well analyze impact to growth and sustainability MSME sector in Indonesia. Through deep understanding about role and contribution 1k Mini - institutions This is expected can identified existing opportunities and challenges , as well as more strategies effective For support development of MSMEs to front . 1k Mini held at Jendral University Soedirman Purwokerto , by IKPIA Perbanas lecturers and students working together with General University Soedirman , which will be held on Wednesday , May 22 2024, with audience of MSME actors who have Collaborating with Jendral University Sudirman , who is active in various Can business , such as : culinary , food typical Purwokerto like mendoan , food packaging for souvenirs like irut , fried getuk , crafts hand and furniture made from bamboo as well as screen printing . Results and 1Mini 1an from 1k Mini is that : 1. The role of Bank Financial Institutions for MSMEs , namely as : 1). Provision Credit and Financing , 2). Service Banking Inclusive , 3). Mentoring and Training . 2. Role of Financial Institutions Not a bank for MSMEs , namely as : 1). Financing Alternative , 2). Service Finance Based Technology (Fintech), 3). Innovation Products and Services . 3. Impact To MSME development , namely as : 1). Economic Growth , 2). Increasing Competitiveness, 3). Business Sustainability . 4. Challenges faced by MSMEs as well opportunity that is digital technology and innovation finance 5. Development Strategy to Front namely : 1). Collaboration and Synergy between MSMEs and financial institutions , 2). Enhancement Literacy Finance in MSMEs, 3). Innovation Products and Services for MSMEs*

## **A. INTRODUCTION**

The role of institutions finance , both banks and not a bank, become the more crucial in modern economy . Existence they No only as provider service financially , but also as a driving force growth economics , esp in supporting Micro, Small and Medium Enterprises (MSMEs). MSMEs in Indonesia have contribution significant to Product Gross Domestic (GDP) and absorption power work , so development sector This be one priority main in effort development economy national . ( Markonah , & Evi, 2023)

Bank financial institutions , which include commercial banks , sharia banks, and people's credit banks , offer various designed products and services For fulfil need MSME finance . Through distribution credit , provision service banking , and various initiative finance inclusive , banks play a role important in provide working capital and investment needed by MSMEs to develop . Apart from that , the mentoring and training programs provided by the bank help increase capacity managerial and power competitive MSME actors . ( Anwar, 2019 and Haryanto, 2020).

Temporary that , institution finance not a bank, like cooperatives , institutions financing , and fintech companies , also play a role roles that don't lost important . With flexibility and innovation offered , institutions This capable reach the MSME segment which has not yet served by banks. Through loan micro , services finance based technology , and schemes financing alternative , institution finance not the bank gives solution more finances easy accessible and appropriate with need specifically for MSMEs. ( Ayodya , 2019).

Introduction This will discuss role strategic institution bank and non- bank finance in MSME development , review various initiatives and programs that have been launched , as well analyze impact to growth and sustainability MSME sector in Indonesia. Through deep understanding about role and contribution institutions This is expected can identified existing opportunities and challenges , as well as more strategies effective For support development of MSMEs to front .

## **B. IMPLEMENTATION METHOD**

PkM This held at Jendral University Soedirman Purwokerto , by IKPIA Perbanas lecturers and students working together with General University Soedirman , which will be held on Wednesday , May 22 2024, with audience of MSME actors who have Collaborating with Jendral University Sudirman , who is active in various Can business , such as : culinary , food typical Purwokerto like mendoan , food packaging for souvenirs like irut , fried getuk , crafts hand and furniture made from bamboo as well as screen printing .

## **C. DISCUSSION**

### **1. Role of Bank Financial Institutions**

#### **a. Provision Credit and Financing**

Banks provide various type credit , incl working capital credit and credit investment , which is really needed by MSMEs for start or develop business they . Product credit special like People's Business Credit (KUR) with flower low is example real support banking towards MSMEs. ( Markonah , et al , 2024).

**b. *Service Banking Inclusive***

Banks offer service banking which includes savings , checking and services payments that help MSMEs manage finance they with more Good . With access to bank account , MSMEs can do transaction in a way efficient and monitored . ( Nugroho, 2018).

**c. *Mentoring and Training***

Banks often provide training and mentoring programs for MSME actors , increase capacity managerial , knowledge business , and skills financial they . This program help MSMEs become more competitive and sustainable .

**2. Role of Financial Institutions Not a bank**

**a. *Financing Alternative***

Financial institutions not a bank, like cooperatives , institutions financing , and fintech companies , offer scheme financing alternative like loan micro and crowdfunding. It delivers solution finance for MSMEs that don't own access easy to the bank . (Susanti, 2021 and Tanjung, 2017).

**b. *Service Finance Based Technology (Fintech)***

Fintech companies deliver service finance based more technology fast and easy accessed . Through mobile applications and online platforms, fintech is capable reaching MSMEs in the region secluded and giving solution appropriate financing with need they . . ( Bank Indonesia, 2015).

**c. *Innovation Products and Services***

Financial institutions not banks tend to more flexible in create innovative products and services , such as financing sharia- based or scheme for results . This matter enabling MSMEs to obtain service more finances in accordance with conditions and values they . ( Budiarto, & Nurhayati, 2017)

**3. Impact To MSME Development**

**a. *Economic growth***

Support financial from institution bank and non- bank finance encourages growth of MSMEs, which contributes directly on increasing GDP and absorption power Work . Developing MSMEs fast can create field Work new and improving well-being public .

**b. *Increasing competitiveness***

Access to financing and services finance help MSMEs improve capacity production , quality products , and efficiency operational . This matter create more MSMEs competitive in local and international markets .

**c. *Business Sustainability***

Mentoring and training programs provided by the institution finance increase ability managerial and knowledge business MSME actors . This contributes to sustainability business they in period long .

#### 4. Challenges and Opportunities

##### a. **Challenge**

MSMEs often face challenge like lack of guarantee credit , insufficiency information about product finances , and constraints in fulfil condition administrative banking . Apart from that , literacy low finances also become obstacle .

##### b. **Opportunity**

technology and innovation finance give opportunity big for MSMEs to get access to more financing easy and fast . Collaboration between institution bank and non- bank finance can create ecosystem more finances inclusive and effective .

#### 5. Development Strategy to Front

##### a. **Collaboration and Synergy**

Collaboration between institution bank, non- bank, government and sector finance private sector is very important For create supporting ecosystem MSME development . Synergy This can expand range service finance and improve effectiveness of support programs . ( Cangara , 2017).

##### b. **Enhancement Literacy Finance**

Increase literacy finance among MSME actors through education and socialization is step important . This helps MSMEs understand product available finances and utilize them optimally . ( Aribawa , 2016 and Idawati , & Pratama , 2020).

##### c. **Innovation Products and Services**

Keep developing products and services innovative and appropriate finance with need specifically for MSMEs. This includes development digital and fintech services that can speed up access to financing . ( Kasenda , & Wijayangka , 2019 ).

With understand and implement bullet points that , is expected role institution bank and non-bank finance in development of MSMEs will more optimal, so can push growth inclusive and sustainable economy in Indonesia. Activity This has documented as following :



Source: Documentation of Community Service collaboration between IKPIA Perbanas and Jenjreal Soedirman University

Figure 1. Enlightenment process regarding the role of banks and non-bank institutions for MSMEs



Source: Documentation of Community Service collaboration between IKPIA Perbanas and Jendral Soedirman University

Figure 2. Process of activities and questions and answers



Source: Documentation of Community Service collaboration between IKPIA Perbanas and Jendral Soedirman University

Figure 3. Photo with MSME actors, IKPIA Perbanas and Jendral Soedirman University lecturers

#### **D. CONCLUSION**

1. The role of Bank Financial Institutions for MSMEs , namely as : 1). Provision Credit and Financing , 2). Service Banking Inclusive , 3). Mentoring and Training
2. Role of Financial Institutions Not a bank for MSMEs , namely as : 1). Financing Alternative , 2). Service Finance Based Technology (Fintech), 3). Innovation Products and Services
3. Impact To MSME development , namely as : 1). Economic Growth , 2). Increasing Competitiveness, 3). Business Sustainability .
4. Challenges and Opportunities

Challenge Yanga often faced by MSMEs such as lack of guarantee credit , insufficiency information about product wide finances , and constraints in fulfil condition administrative banking . And knowledge about literacy lacking finances . As well as there are opportunity that is digital technology and innovation finance that provides opportunity big for MSMEs to get access to more financing easy and fast .

5. Development Strategy to Front namely : 1). Collaboration and Synergy between MSMEs and financial institutions , 2). Enhancement Literacy Finance in MSMEs, 3). Innovation Products and Services for MSMEs

### THANK-YOU NOTE

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### LIST OF PARTICIPANTS ATTENDING

The following is a list of participants, namely MSME actors from Purwokerto who attended offline at Jendral Soedirman University

Pengabdian kepada Masyarakat  
Pengembangan Inovasi UMKM di Purwokerto  
Kolaborasi FEB Universitas Jenderal Soedirman bersama FEB dan SPS IKPIA Perbanas"

Tempat : Purwokerto      Hari/Tanggal : Rabu, 22 Mei 2024

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