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Financial Inclusion Model for Micro, Small, and Medium Enterprises (MSMEs) Recipients of People's Business Credit

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Abstract

This research is important as the priority issue for Micro, Small, and Medium Enterprises that must be addressed immediately is the MSMEs of People's Business Credit (PBC). The research design used where the research object was Micro, Small, and Medium Enterprises receiving PBC from PT. Bank Rakyat Indonesia, Kupang City Unit. The data used in this study is quantitative, namely data expressed in the form of numbers or numbers, such as the number of respondents based on the male and female gender, based on the respondent's age, level of education, and others. n the other hand, qualitative data is also used. Qualitative data in this study were in the form of questionnaires, interview results, and field observations. It is found that (1) utilize literacy on Financial Inclusion from BRI or existing financial institutions. (Financial institutions are more intense in providing literacy about financial inclusion to MSMES recipients of PBC). (2) A strong intention to make good use of BRI's PBC capital access. (BRI needs to continue to provide quality access to credit (convenience, affordability, suitability and with due regard to consumer protection. (3) MSMEs BRI PBC Recipients already have Savings at BRI to guarantee an easy and flexible credit payment system to BRI. (4) MSMEs BRI PBC Recipients must continue to be accompanied in terms of the Application of the Accounting Information System for the Presentation of Business Financial Statements until they are able to use it properly.

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1. Introduction

Problems faced by MSME entrepreneurs in improving business capabilities are very complex. They include various interrelated indicators, including lack of capital both in quantity and in terms of resources, lack of managerial ability and operating skills in organizing, and limited marketing. It resulted in a decrease in income which made MSME actors unable to compete.

In economic development, financial institutions such as banks have an important role for the people of Indonesia in terms of money circulation, one of which is by collecting funds in the form of current accounts, deposits, and savings and channeling them back into the form of credit. Credit is a strategic source of capital needed to finance MSME business activities. Mostly, it is obtained from banks and is a form of financial inclusion that plays a very important role, especially People's Business Credit (PBC). PBC is one of the facilities provided, channeling funds to Micro, Small, and Medium Enterprises (MSMEs) in the form of credit, one of which is the People's Business Credit (PBC) (Reinati & Selan, 2022).

In connection with some of the things stated above, this research was conducted to understand the financial inclusion model for micro, small and medium enterprises receiving PBC. Research conducted at PT. Bank Rakyat Indonesia, Kupang City. This research is important as the priority issue for Micro, Small, and Medium Enterprises that must be addressed immediately is the MSMEs of People's Business Credit (PBC) at PT. Bank Rakyat Indonesia (BRI). The inclusion model can be a model that will answer the management problems of existing Micro, Small, and Medium Enterprises.

2. Materials and Methods

Micro, Small, and Medium Enterprises (MSMEs)

MSMEs are productive business units that stand alone and are carried out by individuals or business entities in all economic sectors. In principle, the distinction between Micro Enterprises, Small Enterprises, Medium Enterprises, and Large Enterprises is generally based on initial asset value (excluding land and buildings), average annual turnover, or the number of permanent employees.

According to Safii & Rahayu (2021), there are several indicators of MSME development. These indicators include (1) the amount of income received by MSME actors, (2) the number of workers owned, and (3) the increase in the products produced.

MSMEs Role

Baporikar & Deshpande (2015) said that the excellence of the MSMEs sector was a strength for MSMES in maintaining its business when a crisis hit the national economy. The minimal dependence of MSMES on debt to foreign parties and imported raw materials proves that the MSMES sector has considerable confidence in financing and managing its own business without involving foreign interference.

On the other hand, Tamam et al. (2022) states that MSMEs play an important role in the development and economic growth, not only in developing countries (NSB) but also in developed countries (NM). In NM, MSMEs are very important, not only because of the large business groups (UB), as is the case in NSB, but also because their contribution to the formation and growth of gross domestic product (GDP) is the largest compared to the contribution from UB.

Financial Inclusion

According to Hogarth (2006), in Financial Education and Economic Development says, From a global perspective, financial inclusion is a condition where residents aged at least 15 years and over already have a savings account or registered electronic money at a formal financial institution. The most basic thing in financial inclusion is the existence of formal financial services that can reach all elements of society to be utilized according to their needs and abilities, to improve welfare.

In Indonesia's National Strategy for Financial Inclusion, financial inclusion is defined as the right of every individual to have full access to quality financial services in a timely, convenient and affordable manner with full respect for their dignity. Financial services are provided for all segments of society, with special attention to low-income, productive poor, migrant workers, and people living in remote areas.

Research methods

The research design used in which the research object was Micro, Small, and Medium Enterprises receiving PBC from PT. Bank Rakyat Indonesia, Kupang City Unit (*Cf*. Castilo et al., 2022). The data used in this study is quantitative, namely data expressed in the form of numbers or numbers, such as the number of respondents based on the male and female gender, based on the respondent's age, level of education, and others (*Cf.* Jayaratne et al., 2013).

On the other hand, qualitative data is also used. Qualitative data in this study were in the form of questionnaires, interview results, and field observations *Cf.* Pathak et al., 2013). The data was obtained, reviewed, and analyzed quantitatively and qualitatively. It describes the phenomena that occur in the MSMES financial inclusion model receiving PBC funds. A SWOT analysis is carried out to analyze the Financial Inclusion Model Strategy.

3. Results and Discussions

Based on interviews with 30 MSMES leaders through direct interviews who are competent in the problems of financial inclusion, the following is presented the summary of strengths, weaknesses, opportunities, and threats faced by MSMEs recipients, in this case, of Bank Rakyat Indonesia's PBC funds in Kupang City.

Strengths of MSMEs Recipients of PBC BRI Funds

Regarding MSMEs, PBC Fund Recipients have dominant strengths in running their business, including:

a. Most of the MSMEs already understand Financial Inclusion through literacy from BRI
b. There is a strong intention to use BRI's PBC capital access.
c. Most of the MSMEs BRI PBC recipients already have savings at BRI

Weaknesses of MSMEs Recipients of PBC BRI Funds in Kupang City.

MSMEs Recipients of PBC Funds in Kupang City have dominant weaknesses in running their business, including:

a. MSMES human resources need to be stronger in managing business finances

b. Dependence on Business Capital assistance from financial institutions is high
c. MSMEs' human resources have limited knowledge about information technology in managing business finances.

Opportunities of MSMEs Recipients of PBC BRI Funds in Kupang City.

MSMEs Recipients of PBC Funds in Kupang City have dominant Opportunities in running their business, including:
a. Availability of quality access to credit (convenience, affordability, suitability, and with due regard to consumer protection) through PBC BRI
b. A very easy credit payment system from BRI
c. Very affordable credit requirements (business license).
d. Assistance services are available from the Bank (Accounting Information System Application for Presentation of Business Financial Statements).

Threats of MSMEs Recipient of PBC BRI Funds in Kupang City.

MSMEs Recipients of PBC Funds in Kupang City have dominant Threats in running their business, including:
a. The PBC scheme pattern is still the same between micro, small and medium enterprises (it is hoped that the scheme pattern will be different)
b. PBC has not implemented a profit-loss sharing pattern
c. Similar competitor products are relatively stronger
d. Some MSMEs still think that PBC's interest rates are still high

Analysis of Internal and External Strategic Factors

Tables of internal and external factors for the results of the interviews are presented to determine the rating and weight of each internal factor and external factor. It is made in the form of a questionnaire to the MHM leaders of the respondents, where each question item is given an alternative answer. Each answer is scored by following the rating rules of very important, important, less important, and unimportant, then summarized into dominant strengths, weaknesses, opportunities, and threats. The strength and opportunity factors are given a value of 4 (strongly agree) to 1 (disagree). At the same time, the weaknesses and threats are given a value of 1 (strongly agree) to 4 (disagree).

In making the IFAS Matrix, knowing and evaluating the company's internal environment is necessary. There are five steps in making this matrix, namely (1) IFAS concerns the internal environment. In the first step, a list is made of the important internal environmental factors that become the strengths and weaknesses of MSMEs. (2) Each of the above factors needs to be weighted, starting from 0.0 for a very unimportant factor to 1.0 for a very important factor. (3) Furthermore, in the second step, each factor is also rated from 1 to 4. This rating illustrates how low/ high is the effectiveness of the strategy. Response one is the lowest. Next, the response in score two shows the MSMEs' response is the same as the average of other MSMEs in the industry. Score three shows other existing MSMEs' responses, and score four shows the response of MSMEs to the external environment is very good and optimal. (4) In The next step, each weight or scale in the second step is multiplied by the rating determined in the third step to get the weighted score.

(5) Finally, add the weighted values for each change so that the company's weighted total can be known.

Regardless of the internal factors considered, be its strengths or weaknesses, the resulting total weighted score will range from 1.0 for very low to 4.0 for very high, with a mean score of 2.5. Thus, if the results of the IFAS matrix show that the results obtained are below 2.5, it means that the internal conditions of MSMEs are on the contrary. If the results are more than 2.5, it can be conveyed the company's internal position is relatively strong to find out more clearly the answers regarding internal and external factors can be seen in the following table;

Table 1
Internal Factor Evaluation Matrix Table (IFE Matrix)

Main Internal Factors	weight	Rating	Weighted Average
Strength			
a. Most of the MSMEs already understand Financial Inclusion through literacy from BRI.	0,10	3	0,3
b. There is a strong intention to make good use of BRI's PBC capital access.	0,30	4	1,2
c. Most of the MSMEs BRI PBC recipients already have savings at BRI	0,10	3	0,3
Total Score			1,8
Weakness			
a. MSMEs' human resources are weak in managing business finances.	0,25	4	1
b. Dependence on Business Capital assistance from financial institutions is very high.	0,10	3	0,3
c. MSMEs' human resources have limited knowledge about information technology in managing business finances.	0,15	3	0,45
Total Score			1,75
Total	1		3,35

Source: Results of Data Processing, 2022

Table 1 above shows that the total value of the IFAS MSMES matrix value of PBC BRI Fund Recipients in Kupang City is 3.25. This value indicates that MSMEs are in an above-average position in terms of overall internal strength. related to marketing, finance, and organization.

Next is the creation of the EFAS matrix. It is necessary to know and evaluate the company's external environment, both in the general environment and in the industrial environment, namely, (1) EFAS concerns the external environment; In the early stages, a list or exclusion of important factors in the external environment, both opportunities, and threats is made. (2) Each factor needs to be assigned a weight, starting from 0.0 for a very unimportant factor to 1.0 for a very important factor. The scale states how important each of these factors is in the industry where MSMES is

different, with a total of all weights or scales equal to 1.0. (3) Furthermore, in the second step, each factor is also rated from 1 to 4. This rating illustrates how effective the strategy is in responding to various external factors. (4) In the next step, each weight or scale in the second step is multiplied by the rating determined in the third step to get a weighted score. (5) Finally, add up the weighted values for each change so that the total weighted value of the company can be found.

Likewise with the EFAS matrix. On the results of the EFAS matrix, it was found that the results obtained were below 2.5, meaning that companies with existing conditions cannot take advantage of opportunities optimally and are very vulnerable to competitive threats. That is, in facing the dynamics of the external environment, MSMEs are in a weak position. Conversely, if the result is more than 2.5, it can be concluded that in facing the dynamics of the external environment, the company's position is relatively strong.

Table 2
External Factor Evaluation Matrix (EFE Matrix)

Main Internal Factors	weight	Rating	Weighted Average
Opportunity			
a. Availability of quality access to credit (convenience, affordability, suitability, and with due regard to consumer protection) through PBC BRI.	0,10	2	0,2
b. An easy credit payment system from BRI.	0,10	4	0,4
c. Affordable Credit Requirements (Business Permit)	0,20	4	0,8
d. Assistance services are available from the Bank (Accounting Information System Application for Presentation of Business Financial Statements)	0,10	2	0,2
Total Score			1,6
Threat			
a. The PBC scheme pattern is still the same between micro, small and medium enterprises (it is hoped that the scheme pattern will be different)	0,20	4	0,8
b. PBC has not implemented a profit-loss-sharing pattern	0,20	4	0,8
c. Similar competitor products are relatively equally strong.	0,05	2	0,1
d. Some MSMEs still think that PBC's interest rates are still high	0,05	2	0,1
Total Score			1,8

Total	1		3,4

Source: Results of Data Processing, 2022

Based on Table 2 of the MSMEs EFAS matrix in Kupang City, it can be seen that the total value of the EFAS matrix owned is 3.4. This shows that MSMES' financial inclusion effectively describes existing external opportunities and avoids the potential negative effects of threats. Furthermore, calculations are carried out in addition to the table above to find out the most appropriate strategy carried out by MSMEs in Kupang City. Based on this difference, the coordinates of the company are determined, as shown in Figure 1 below.

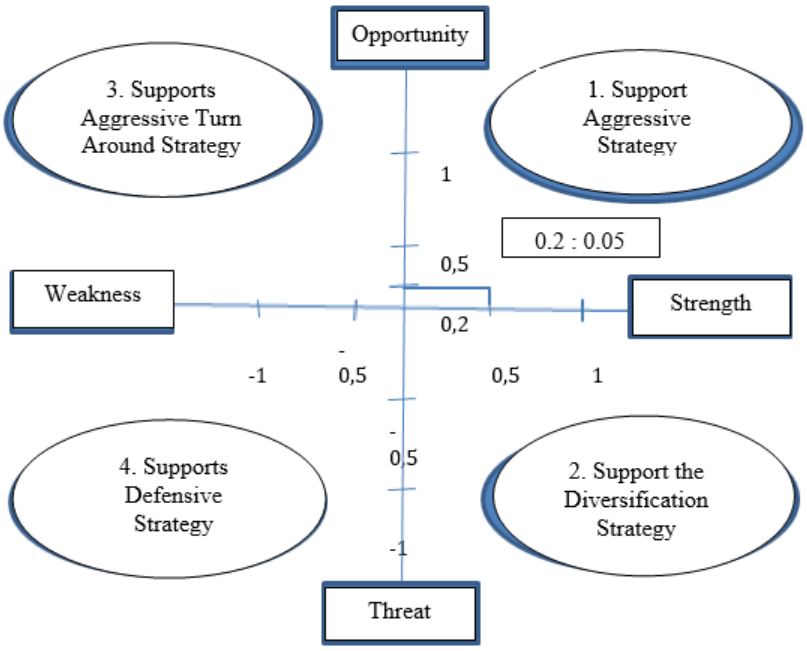


Figure 1
MSMEs SWOT analysis diagram

Figure 1 is a SWOT analysis diagram for MSMEs in Kupang City. Based on the figure, it can be seen that the score for the strength factor is 1.8, and for the weakness, the factor is 1.75. The difference in these values is 0.05, while the score for the opportunity factor is equal to 1.6, the score for the threat factor is equal to 1.8 then the difference from that value is equal to 0.2. The difference values can form coordinate points, namely (0.05: 0.2). So the position of Financial Inclusion MSMES is obtained in quadrant 1, which is a very profitable situation because it has opportunities and strengths so that it can take advantage of existing opportunities. It shows that the right strategy to implement for MSME's financial inclusion in the City of Kupang is to support a growth-oriented strategy policy

4. Conclusion

The conclusion given after conducting research is that the Kupang City MSMES recipient of BRI PBC funds expects a financial inclusion model that is contained in four strategies, namely, (1) Utilize literacy on Financial Inclusion from BRI or existing financial institutions. (Financial institutions are

more intense in providing literacy about financial inclusion to MSMES recipients of PBC). (2) A strong intention to make good use of BRI's PBC capital access. (BRI needs to continue to provide quality access to credit (convenience, affordability, suitability and with due regard to consumer protection. (3) MSMEs BRI PBC Recipients already have Savings at BRI to guarantee an easy and flexible credit payment system to BRI. (4) MSMEs BRI PBC Recipients must continue to be accompanied in terms of the Application of the Accounting Information System for the Presentation of Business Financial Statements until they are able to use it properly.

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