

Financial Literacy And Financial Inclusion Improvement Based On Web Applications To Achieve MSMEs Financial Well Being

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Abstract : *During the Covid-19 pandemic, made human interactions and activities reduced, this also had an impact on all business sectors, especially MSMEs. To support MSMEs survive, the government has provided various incentive and stimulus facilities. Many opportunities for MSMEs to access credit from the government. In the new normal using of technology to increasing the accessibility of banking products by MSMEs is needed. The research objective is to create a Web-Based Online Information System Model to increasing financial inclusion of MSMEs during the Covid-19 Pandemic. The data analysis technique uses descriptive analysis to describe the findings and policies.*

In the web-based online information system, there are 3 users, namely MSMEs, Banking and the Office of Cooperatives and MSMEs. The Office of Cooperatives and MSMEs is in control of this model, to log in to this system, MSMEs and Banks must create a user login via the Office of Cooperatives and MSMEs. The function of banking in this model is to provide information on banking products that can be accessed by MSMEs. The last user is MSMEs, when MSMEs apply for credit, the Cooperative Office will verify the existence and business of MSMEs, then if according to the Cooperative Office it is feasible to apply for credit, then MSMEs are welcome to complete and input all credit requirements.

Keywords : *Web Based Online Information System Model, Financial Literacy, Financial Inclusion, and MSMEs.*

I. Introduction

Micro, Small and Medium Enterprises (MSMEs) are an important sector and have a major contribution to achieve national economic development goals, such as economic growth, employment opportunities and regional economic development. The MSMEs problems can be seen from two sides, namely internal and external (Susilo, 2010). From the internal side, the inhibiting factors are limited capital, weak business networks, and the ability to penetrate the market. From the external side, the inhibiting factors are unfavorable business climate, limited facilities and infrastructure, the implications of regional autonomy, the nature of products with short life times, and limited market access. MSMEs capital is a problem that always exists even though the government has issued various policies to help overcome these problems.

The results of research from Nisa (2016) reveal that government policies requiring credit distribution to MSMEs from Commercial Banks in Indonesia do not have a positive impact on increasing credit growth to MSMEs. On the other, it is difficult for the Bank to get the target of lending to MSMEs of 15% of total loans in 2017 (Kompas.com 21-5-2017 at 13:16), this is because MSMEs have not met bank requirements for obtaining credit. Increasing financial inclusion be able to develop MSMEs because MSMEs better understand the basic concepts of financial products, carry out better financial planning and management, and protect against fraud and unhealthy business in the financial market, it is also expected that MSMEs have the ability to survive in financial crisis (Financial Well Being). Increasing financial literacy and inclusion for the development of MSMEs also requires optimizing the use of financial technology to facilitate access and expand outreach.

During the Covid-19 pandemic made human interactions and activities reduced, this also had an impact on all business sectors, especially MSMEs. The government identified four main MSMEs problems during the Covid-19 pandemic, namely decreased demand, product marketing, access to raw materials and low human resources, and the main problem is decreased demand (DDTC News, 2020). To support MSMEs survive, the

government has provided various incentive and stimulus facilities with a total value of IDR123.4 trillion. This figure is divided into six stimulus policies. First, an interest subsidy of IDR 35.2 trillion. Second, the placement of government funds in commercial banks for credit restructuring of Rp. 78.7 trillion. Third, spending on guarantee fees of IDR 5 trillion. Fourth, guarantee for working capital of IDR 1 trillion. Fifth, investment financing to cooperatives through the LPDB (The Agency For Revolving Fund Management) Ministry of Cooperatives and MSMEs is IDR1 trillion and the sixth MSMEs DTP final PPh tax incentive is IDR 2.4 trillion. Many opportunities for MSMEs to access credit from the government during this pandemic and new normal life to carry out an activity, including the obligation to wear masks and physical distancing, then the use of technology to increasing the accessibility of banking products by MSMEs is needed.

Based on this background, it is interested to conducting research with the title "Web-Based Online Information Systems: One way to increasing the financial inclusion of MSMEs during the Covid-19 Pandemic". Research purpose is Creating Web-Based Information System model to increasing the financial inclusion of MSMEs during the Covid-19 Pandemic and it is hoped that with an increasing financial inclusion, MSMEs can survive during the Covid-19 pandemic. In the "New Normal" era of the Covid-19 pandemic, it is be able to return activities, and attention to health protocols, one of which is physical distancing, with this Web-based Information System minimizing people coming to the Bank, all credit application data is uploaded by web.

II. Literature Review

1. "New Normal" Protocol to Prevent Corona Covid-19 Transmission

New Normal is a new life that must maintain productivity to adapt Covid-19, because until now there has not been found a definitive vaccine with international standards for the treatment of the corona virus. The Ministry of Health (Kemenkes) issued the Minister of Health Decree number HK.01.07 / MENKES / 328/2020 concerning Guidelines for the Prevention and Control of COVID-19 in Office and Industrial Workplaces in Support of Business Continuity in Pandemic Situations. One of these guidelines is the implementation of Physical Distancing in every activity of at least 1 meter. With this rule, the use of technology is needed to keep people doing activities during the Covid-19 pandemic.

2. Financial Literacy

Various studies on financial literacy have been carried out in several countries. Wachira and Kihiu (2012) [7] have conducted studies on the effect of financial literacy on access to financial services in Kenya 2009, apparently access to financial services is not only influenced by the level of financial literacy but is more influenced by the level of income, distance from banks, age, marital status, gender, household size, and education level. Van der Werff et al. (2013) [8], in their study in 31 OECD countries in 2011, showed that affecting factors the proportion of the population accessing banking were income inequality, the number of ATMs and banks per 100,000 population, the level of public trust in institutions proxied by the corruption index and GNI per capita. Financial inclusion is also influenced by technological developments. Andrianaivo and Kpodar (2012) [9] analyzed 44 countries in the African continent using 1988-2007 data related to cell phone relations, financial inclusion and economic growth. The results of the study explain that the development of cell phones contributes to economic growth in Africa. In addition, financial inclusion as measured by the amount of savings and loans per capita becomes one of the transmission lines from the development of cellular telephones to growth.

3. Financial Inclusion

The Consultative Group to Assist the Poor (CGAP) defines financial inclusion as a condition where all working-age people are able to get effective access to credit, savings, payment systems and insurance from all financial service providers. Sarma (2011) [4] defines financial inclusion as a process that guarantees ease of access, availability, and benefits of the formal financial system for all economic actors. Central Bank of Indonesia (2013) defines financial inclusion as all efforts aimed at eliminating all forms of price and non-price barriers to public access in utilizing financial services.

Central Bank of Indonesia made a policy to increasing financial inclusion called inclusive financial policy. The policy took the form of financial service deepening targeting the lower middle class people. So financial services in Indonesia are not only for the upper middle class, but also the lower middle class. Based on the National Financial Literacy Survey of Indonesia (SNLKI) conducted by OJK in 2013, the MSMEs financial literacy rate reached 15.7 percent while the MSMEs financial inclusion rate was only 53.3 percent. This number is lower than the national average of 21.8 percent (financial literacy) and 59.7 percent (financial inclusion). MSMEs in Indonesia are growing rapidly, even the Financial Services Authority (OJK) assesses that there is potential in the MSMEs sector to develop further in financial management. Access to financial

services can be measured by the number of banking offices and the number of ATMs scattered in a region, the use of financial services is measured by the number of deposits and credit thrown / distributed. Sarma (2012) summarizes it all in one concept namely Index of Financial Inclusion.

4. Bankable and MSMEs Financial Well Being.

Banks usually see the bankability of a company or project to be funded with the 5Cs criteria, namely Capital, Collateral, Capacity, Character and Condition. Financial well-being definition according to OJK Regulation No. 76 / POJK.07 / 2016 is a condition characterized by the ability of the community to survive when a financial crisis occurs. So far, MSMEs are known to be resilient and able to survive in a state of crisis, as happened in 2013 (weakening global financial conditions), many large companies in Indonesia have collapsed and eventually closed operations due to the monetary crisis. But not like these large companies, it turns out that the MSMEs is more resilient to the financial crisis. On the other research from Susilo (2010) shows that the role of banks in financing MSMEs in Surakarta and Jojakarta small-scale needs to be improved.

III. Research Methods

This research is a descriptive study and applied research and units of analysis are 1) MSMEs 2) Bank and 3) Office of Cooperatives and MSMEs. In Blitar City there are approximately 21,291 MSMEs that are spread in 3 Subdistricts and 21 villages. The sampling technique is based on purposive sampling. Research instruments using questionnaires, interviews and FGD. The data analysis technique uses descriptive analysis to describe the findings and policies that involve interested parties to create a web-based online information system model to increase the financial inclusion of MSMEs during the Covid-19 Pandemic.

IV. Result And Discussion

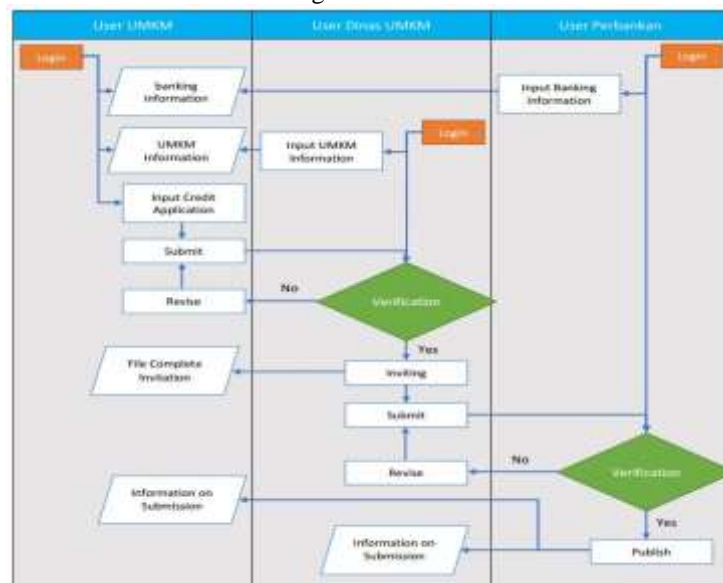
In Blitar City, there are approximately 21,291 MSMEs spread across at 3 Districts and 21 Sub-Districts. About 12,898 were micro enterprises, while small and medium enterprises had less than 100 businesses. The large number of micro businesses is due to their ability, the majority do not have sufficient capital. The impact of, 1,715 micro-entrepreneurs in Blitar City received Productive Micro Business Assistance (BPUM) from the Central Government. The proposed micro-entrepreneurs have met the requirements, including having a valid National Identity Number (NIK), not having loans or credits and having a maximum balance of IDR 2 million. From the requirements for obtaining BPUM, it can be seen there are 1,715 micro business actors who have not received credit from financial institutions.

According to BPS data in a lack of capital, some companies / businesses do not use banking services, the reasons include:

1. Don't Know the Procedure
The lack of knowledge about the procedures for borrowing money at the bank.
2. Difficult Procedure
The mechanism / procedures for borrowing money from a bank is difficult / convoluted.
3. No collateral
It has no guarantee / collateral such as; home, car certificates and so on which are one of the conditions for borrowing money.
4. High Interest Rates
The high interest rate on loans at banks.
5. Not interested
There is no desire to get a loan from a bank.
6. Proposal Rejected
Submitted a loan proposal, but the bank has not granted the proposed loan.

Based on the conditions of MSMEs during the pandemic and current technological developments, the use of technology to increasing financial inclusion while still attention to health protocols is very necessary. In accordance with the unit of analysis, there are 3 parties involved in the web-based online information system model to increasing financial inclusion of MSMEs during the Covid-19 Pandemic, namely MSMEs, Banking and the Cooperative Office and UMKM. The flow of the 3-party involvement in this model is shown below.

Figure 1
Web-based online information system model
to increasing financial inclusion of MSMEs



There are 3 users, namely MSMEs, Banking, and the Department of Cooperatives and MSMEs, the roles of each user are as follows:

1. Department of Cooperatives and MSMEs
It is the control holder of this system, to be able to login to MSMEs and Banks, you must create a user login through the Cooperative and MSMEs Office. In addition, it also provides information related to MSMEs that are fostered by the Cooperative and UMKM Office.
2. Banking
The role of banking in this model is to provide information on banking products that can be accessed by MSMEs, accompanied by information on the requirements for applying for credit.
3. MSMEs
From this model, MSMEs obtain information about MSMEs as a whole and information about banking. When MSMEs apply for credit, the Department of Cooperatives and MSMEs will verify the existence and business of MSMEs, then if eligible to apply for credit MSMEs are welcome to complete and input all the credit requirements required by the bank. The Cooperative and MSMEs Office then forwards the credit application file to the bank, then the bank verifies if there is a file that is lacking, the UMKM can revise it. All information, whether from MSMEs to Banking or from Banking to MSMEs, always goes through the Department of Cooperatives and MSMEs. In the end, if the completeness of the credit is complete and approved by the bank, the credit can be disbursed.

V. Conclusion And Suggestion

1. Conclusion

- a. The web-based online information system model is one of the solutions to increasing MSME financial inclusion. Information on banking products can be accessed by MSMEs quickly by utilizing technology, especially during the Covid-19 pandemic. MSMEs to get credit do not have to come to the banking directly but simply through online, thereby reducing direct physical contact and reducing the spread of covid-19.
- b. The process of channeling credit by banks can take place quickly without compromising the principle of prudence, the first verification of MSMEs is carried out by the Cooperative and UMKM Office, then followed by the Banking for the requirements required by the banking sector.

2. Suggestion

- a. The web-based online information system model is one of the solutions to increasing the financial inclusion of MSMEs by utilizing technology, therefore there is a need for socialization to parties with an interest in this web by the Cooperative Office and MSMEs as controllers.

- b. The fulfillment of credit terms by MSMEs remains the main requirement so that MSMEs can access credit from banks, therefore MSMEs must be able to prepare these credit requirements.

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