The Pandemic Period and the Threat of Financial Exclusion on Market Traders in Singaraja City

Putu Ria Astria[1,*] Gede Adi Yuniarta[1] Gusti Ayu Purnamawati[1] Luh Putu Ekawati[1]

[1] *Department of Economics and Accounting, Universitas Pendidikan Ganesha, Singaraja, Indonesia*
[*]*Corresponding author. Email: riaastria@undiksha.ac.id*

ABSTRACT
During this pandemic, the economic is always be highlight news. The lack of people's purchasing power has a domino effect for entrepreneurs in Indonesia, especially UMKM who are the spearhead of the economy. In Indonesia, UMKM contribute 65% of GDP per year, this will certainly greatly affect the trade balance in Indonesia. The government must have started to act with the current conditions, a lot of assistance was given, especially to UMKM as a form of relaxation, but in fact access to financing has not reached all UMKM because of financial exclusion that occurs in the community, especially traders in the market of the city of Singaraja who also lack financial literacy. For this reason, the author is interested in examining how this pandemic period exacerbates the limitations of financial media which has been one of the government's focuses to increase financial inclusion in Indonesia. The researcher used a sample of traders in the market in the city of Singaraja, recalling that the financial literacy of market participants was also quite minimal. This study uses a qualitative method by describing every perception and behavior observed by researchers through observation, in-depth interviews and documentation.

Keywords: *Economic, Financial exclusion, Financial literation.*

1. INTRODUCTION

The pandemic that the world is currently facing has been running for more than a year, especially in Indonesia starting from March 2020. Until now, the increase the number of patients contaminated with the COVID-19 virus has not shown any decline. The increase in confirmed cases during the COVID-19 period greatly affected various sectors in Indonesia, one of which was the economic sector. The resulting domino effect greatly affects economic growth at this time. the low level of consumption resulted in a decline in real national income so that the level of Indonesia's economic growth became sluggish.

One of the pillars of economic growth in Indonesia is the activity of UMKM that are directly related to community activities starting from the bottom line. In Indonesia, UMKM have a significant contribution and role, including expanding employment opportunities. According to the *Badan Pusat Statistik* (BPS), the number of UMKM reaches 64 million throughout Indonesia. This figure reaches more than 90 percent of all businesses operating in Indonesia. And, UMKM contribute about 65% of Indonesia's total GDP.

The UMKM current problem during this pandemic are declining sales, limited capital, reduced orders, difficulty in raw materials, and bad credit. This is due to, among other things, large-scale social restrictions and the enactment of policies on working and studying from home, and minimizing the frequency of going out.

There are Pemulihan Ekonomi Nasional (PEN) schemes carried out by the government so far, such as relaxation of Kredit Usaha Rakyat (KUR), subsidies of bank interest, working capital, and *Bantuan Presiden (Banpres) Produktif* for micro-enterprises in the form of grants. However, previously, according to a survey conducted by Pricewaterhousecoopers (PwC) in 2019, it was stated that 74 percent of MSMEs in Indonesia had not yet obtained access to financing. One of the factors behind this is the lack of understanding of UMKM regarding financial inclusion.

Financial exclusion, which is exacerbated by limited access to finance during the pandemic, certainly adds to the difficulty of the community in making all trading activities effectiveness. This of course will slow down all existing transactions. Financial exclusion is indeed a threat to a country's economic growth. Traders in the market are one example of business actors in the city of

Singaraja, on average they understand minimal financial literacy, limited transaction rates greatly affect the income that they received.

For information, the financial inclusion index in Indonesia in 2019 was in the range of 76.2%. Despite the increase, this index is relatively low compared to emerging market countries. India and China for example, the financial inclusion index has reached 80%. Indonesia is also lagging behind other ASEAN countries. In 2017, Malaysia's financial inclusion index reached 85% and Thailand reached 82%.

Considering the function and importance of financial inclusion above, the authors are interested in examining how this pandemic period exacerbates the limitations of financial media which has been one of the government's focuses to increase financial inclusion in Indonesia. This study focuses on researchers using a sample of traders in the market in the city of Singaraja., considering that the financial literacy of market participants is also quite minimal. Therefore, this research is entitled "The Pandemic Period and the Threat of Financial Exclusion on Market Traders in Singaraja City"

2. LITERATURE REVIEW

2.1. Financial Exclusion

According to the European Commission, "financial exclusion" is a process by which people face difficulties in accessing or using financial services and products on the market in general that suit their needs so that they are unable to live a social life within the society in which they reside.

Financial exclusion, according to some researchers, is the opposite of financial inclusion. All economic transactions should have easy access to, availability, and benefits from the formal financial system. Sarma defines financial inclusion as this [1]. Not much different from Sarma's definition, Gerdeva and Rhyne define financial inclusion as a condition where everyone can access quality financial services, available at affordable prices, in a comfortable and satisfying way [2]. Financial inclusion can be measured by a country's ability to access and use formal financial services, as well as the frequency, regularity, and duration of use of these services. Quality can be measured by whether the attributes of financial products and services have met customer needs, and welfare can be measured by the impact of these services on the lives of those who use them.

2.2. The Affecting Factor of Financial Inclusion

According to [3] analyzed based on data from 49 countries in 2004, we can see how economic development affects financial inclusion in a country. Financial inclusion and human development appear to be linked in general, according to the results of the correlation between the financial inclusion index and the human development index. Financial inclusion can be affected by the level of human development, according to the findings. Economies with low GDP per capita and high income inequality as well as low literacy rates and urbanization are less secure when it comes to accessing financial markets. The length of the road, the use of telephones, and the internet also play an important role in promoting financial inclusion in the developing countries. From banking variables, the proportion of non-performing assets and capital asset ratio (CAR) has a negative relationship with financial inclusion. Meanwhile, foreign and government ownership in the banking sector, and interest rates have no relationship with financial inclusion.

While financial literacy has an impact on access to banking services, other factors such as income, distance from banks, age, marital status and gender also have an impact on access to banking services in Kenya in 2009 [4].

2.3. The Indonesian Economy in a Pandemic Period

In this pandemic period, of course, there will be many downward effects that will be faced by business actors which will cause Indonesia's GDP to decline. With the limited movement of the community, the PSBB imposed in Indonesia will cause a decrease in the income level of business actors, especially small and medium-sized businesses. This will cause a domino effect on society. Many people lost their jobs, and a number of businesses were even on the verge of going out of business. Employers in the formal and informal sectors collectively laid off or fired a total of 1,943,916 people, with the former accounting for 77% of the total, and the latter 23% (Kementrian Tenaga Kerja, 2020)

In this case, the Indonesian government is obligated to ensure the nation's economic well-being by regulating economic policies and ensuring the economic security of its citizens. A good country's economic growth can improve a nation's development, which is why it is the most important factor in human life. These economic factors are also supportive of national development [5].

3. METHOD

It is clear from the research's methodology that it is descriptive qualitative research. Qualitative research seeks to understand phenomena as they are experienced by the study's participants. When a researcher conducts descriptive research, he or she focuses on determining

the value of an independent variable, which can be one or more variables (Independent) [6].

This research data is sourced from primary data obtained by means of in-depth interviews with UMKM actors in Buleleng Regency about the perceived role of financial inclusion during the COVID-19 pandemic, and how to use financial inclusion that has been carried out by business actors. Data collection methods used by researchers in this study were in-depth interviews, literature study and documentation.

Data processing is a technique in qualitative research that is carried out after field data has been collected. The data is divided into two, namely field data (raw data) and finished data [7].Field data or raw data is data obtained during data collection. The raw data in this study are in the form of oral data (in the form of speech), written data and photos. The oral and written data were obtained through interview the resource persons or research subjects. Data in the form of photos is data that functions to describe a thing, object, or event during observation and during data collection.

Sound recordings are used to preserve verbal data, while research notes are used to preserve written data. The second set of data is finished data, as opposed to the first set of data. In order to produce the final product, a data selection process is used to filter through the raw data (field data). An important part of data selection is determining what kind of data you'll need to answer your question. Searching for and compiling data from interview notes, field notes, and documentation is an essential part of data analysis. The process involves categorizing and describing each piece of data in terms of units, synthesizing it into patterns, and making conclusions that are easy to understand by both the researcher and others [8].

4. RESULTS & DISCUSSION

The strategies to restore UMKM businesses in the new recovery period are needed considering that UMKM are a sector that is able to reduce the level of inequality both economically and socially, such as increasing people's purchasing power for domestic commodities. However, in its development, UMKM in Buleleng Regency, especially market traders in Singaraja City, experienced several obstacles. The PPKM implementation in Buleleng Regency has a significant impact on the transaction rate of traders in the Singaraja City traditional market. this is due to the limitation of trading time which is only allowed until 3 pm, from the beginning until 12 pm. This will certainly reduce the circulation of goods in the market, the lack of income and financing will remain the same. The household expenses of market traders remain the same in the midst of the pandemic but are not proportional to the existing income. This will reduce the capital they have.

The era of adaptation to the new recovery must be addressed wisely by UMKM business, one of which is in terms of financing and capital for business recovery due to Covid-19 by utilizing the role of Financial Technology (Fintech) and increasing financial literacy of UMKM. Access to capital is a vital key for the success of UMKM development in a country. Technological innovations in the financial sector, namely Fintech, can help UMKM with ease and efficiency in the financial area. All businesses, including UMKM, are required to adapt in their operations. Included in payment transactions, financing and other financial transactions will change according to the landscape of the financial services industry which has also changed globally along with the phenomenon of innovation in the financial services industry called Financial Technology or Fintech [9].

Due to technological innovations in the financial sector that are increasingly developing, the community, including UMKM trader, must improve financial literacy by studying and understanding every service, product, and financial decision that they will implement. This is so that the benefits of access to finance, including fintech, can be felt to the maximum and do not harm UMKM trader. A person's financial literacies are the abilities they possess in this area. It is possible to see money from a new perspective and control one's financial situation if one has good financial literacy (well-literate) [10]. In addition, financial literacy includes knowledge of compound interest, the difference between nominal and real value, basic knowledge about risk diversification, the time value of money, and other aspects of financial decision-making [11]

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