

Financial inclusion on small medium enterprise

A. Z. Arifin & Yanuar

Tarumanagara University, Jakarta, Indonesia

N. N. Sawitri

Trilogi University, Jakarta, Indonesia

ABSTRACT: This study aims to examine the influence of Social Capital, Financial Attitude, and Financial Self Efficacy on Financial Inclusion. This research was conducted on Micro, Small, and Medium Enterprises (MSME) in Jakarta in 2018. The sampling method is incidental sampling. The subject of this research was MSMEs in Jakarta from various business fields. The sample in this study was 430 respondents who filled a questionnaire posed by the researchers. Data was processed using SmartPLS 3.0. The results show that Financial Attitude positively affects Financial Inclusion, while Social Capital and Financial Self Efficacy have no effect on Financial Inclusion.

Keywords: social capital, financial attitude, financial self efficacy, financial inclusion

1 INTRODUCTION

The large contribution of MSMEs to the Indonesian economy is the basis for the growth of the MSME sector. Thereby, the sector is a source of encouraging economic growth, reaching an equitable distribution of income, and alleviating poverty. One way that the government can do is to create a financial system that can be achieved through access to adequate finance (Financial Inclusion).

The fact is that until now, MSME players have low financial inclusion. This contributing factor is due to the low level of public education regarding finances, low public financial facilities, inadequate financial information distribution, and low supporting policies/regulations. The last survey conducted by the World Bank in 2014 showed that Indonesia's financial inclusion was only 36%. This indicator is in the form of account ownership informal financial institutions. The result of a Bank Indonesia survey in 2010 stated that 62% of households did not have a savings account at all. This condition is getting worse in rural communities (Setiawan 2017). 60-70% of Micro, Small and Medium Enterprises (MSMEs) also do not have access to banking (Nengsih 2015).

Urata (2000) stated that the main problem faced by MSMEs is the number of MSMEs that are not yet bankable. There are still many MSMEs that don't know formal financial institutions, especially their services. This background is an urgent reason for implementing the Financial Inclusion.

One of the important things related to Financial Inclusion is Social Capital. Social Capital is a network of relationships that facilitates access to resources including knowledge and skills. Reagans & McEvily (2003) explain that social networks act as a channel for the transfer of knowledge and information among the poor. Bastelaer (2000) and Woolcock (1999) point out that social capital generates information channels, facilitates transactions, and reduces costs of accessing financial services such as credit.

The amount of one's ability to have financial inclusion also affects the financial attitude. Pankow (2003) defines Financial Attitudes as a state of mind, opinions, and judgments about finances. Hayhoe et al. (1999) utter that there is a relationship between Financial Attitudes and the level of financial problems. Thus it can be said that one's financial attitude also influences the way a person manages his finan-

cial behavior especially in accessing and financial services.

Sandler (2000) proposes the Social Cognitive Theory (Social Cognitive Theory or SCT). SCT has the role of cognitive thinking in motivating individuals and directing their financial behavior related to Financial Self Efficacy (FSE). The FSE refers to a measure of the belief that someone has used financial services and services in a financial context.

The result of the research in relating to Financial Literacy is based on several research models. Mindra & Moya (2017) use the FSE variable as a mediating variable, Financial Attitude and Financial Self Efficacy as independent variables as well as Financial Inclusion as a dependent variable. Zuze et al. (2017) conduct a study using the FSE variable as an independent variable and Financial Inclusion as the dependent variable. Mpeera-Ntayi et al. (2017) apply the variable of Financial Literacy (Financial Literacy) as a mediating variable, Institutional Framing as an independent variable, and Financial Inclusion as the dependent variable. Malinga et al. (2017) use the variables of Capability (Skill), Knowledge, Behavior, and Attitude as independent variables and Financial Inclusion as the dependent variable. NkoteNabeta et al. (2016) apply the variable of Social Capital as a mediating variable, Financial Literacy as an independent variable, and Financial Inclusion as the dependent variable.

Based on the background and results of previous studies, the purpose of this study is to examine the relationship between Social Capital, Financial Attitude and Financial Self Efficacy (FSE) on Financial Inclusion.

2 RESEARCH METHODS

The subject in this study was Micro, Small and Medium Enterprises (MSMEs) in Jakarta. The object in this study was Social Capital, Financial Attitude, Financial Self Efficacy, and Financial Inclusion. The data used are primary data obtained from the sample by filling in questionnaires distributed to MSME actors who are domiciled in Jakarta. The four variables are latent variables which are measured using indicators with a Likert-scale 1-5. The statistical test used is the test of the outer and inner model. The collected data was then tested using Pro-PLS Version 3.0 analysis software.

3 RESULTS AND DISCUSSIONS

Data analysis was done with the outer and inner models. The outer model was used to test validity

and reliability. The inner model was used to test structural models of this research. Loading factors and convergent validity were used to test validity. The indicator is valid if it has a value of loading factor above 0.5 (Hair et al. 2011). The inner model test is done to test the structural model. This test used Bootstrapping. This test includes the test of goodness of fit and statistical hypothesis. The goodness of fit test results use NFI criteria. NFI values range from 0-1, getting closer to 1, the model is getting better (Hair et. al. 2011). The NFI value of the research model is 0.841, so the model is declared fit.

The test of hypothesis is presented in equation (1).

$$FI = -0,006SC + 0,15 FA + 0,07FSE \quad (1)$$

$$0,794 \quad ,001^{**} \quad 0,856$$

Based on Equation (1), it is concluded, first, Financial Attitude (FA) had a positive influence on Financial Inclusion (FI). Moreover, it is indicated that the Social Capital (SC) and Financial Self Efficacy (FSE) variables do not significantly influence Financial Inclusion (FI).

This study used 430 MSME respondents in Jakarta who are still active in carrying out their business. The result of the test is for the influence of exogenous variables Social Capital, Financial Attitude, and Financial Self Efficacy on endogenous Financial Inclusion variables.

3.1 Effect of Social Capital on Financial Inclusion

The results show that social capital has no effect on Financial Inclusion. With this result, it can be concluded that whether or not a person's social capital is good, wherein social capital, there is information about various types of alternative financial products and services (financial inclusion), which does not provide the opportunity for those people to have a higher level of financial inclusion. Thus social capital is not used as a determining factor for someone in determining, utilizing the products or financial services that they will have and reducing the existing obstacles, but there is another factor, namely education. The result of this study is not in accordance with previous research conducted by Saputra & Dewi (2017) that point out a positive and significant role of social capital.

3.2 Effect of Financial Attitude on Financial Inclusion

The results of the test show that Financial Attitude had a positive influence between on Financial Inclusion. The result of this study is in accordance with previous studies conducted by Malinga et al. (2017)

that indicates Financial Attitude had a positive influence on Financial Inclusion. With this result, it can be concluded that financial attitude had an influence on individual financial inclusion in the aspects of valuation in making financial decisions such as savings, credit, insurance, and remittances which ultimately affect the financial inclusion and welfare of the individual.

3.3 Effects of Financial Self Efficacy on Financial Inclusion

The results of the test show that Financial Self Efficacy had no effect on Financial Inclusion. With this result, it can be concluded that trust/confidence is not a determining factor for someone who will use financial products/services. Trust is not enough for someone who wants to use financial products/services, because someone who is confident in a financial product/service offered by a financial institution, not necessarily will use these products and services. This happens because there are other factors such as not being able to fulfill the requirements requested by the financial institution so that they cannot use the financial products/services offered, whereas previously they had the trust /confidence to be able to use them. The result of this study is not in line with the research conducted by Zuze et al. (2017) that says Financial Self Efficacy has a positive and significant effect on Financial Inclusion.

4 CONCLUSION

Based on the results of the analysis and discussion, it can be concluded that: (1). Financial Attitude had a positive effect on Financial Inclusion of MSME in Jakarta, and (2). Social Capital and Financial Self-Efficacy had no effect on the Financial Inclusion of MSME in Jakarta.

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