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ANALYSIS OF FACTORS AFFECTING FINANCIAL LITERACY AND INCLUSION LEVELS AT MSMES IN BLITAR CITY

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ABSTRACT

Government policies that require lending to MSMEs for Commercial Banks in Indonesia do not have a positive impact on increasing credit growth to MSMEs, in the other side Banks having difficulty reaching the target of lending to MSMEs, because MSMEs have not fulfilled bank requirements to obtain credit. Increasing financial literacy and inclusion are believed to be able to develop MSMEs because MSMEs can better understand the basic concepts of financial products, make better financial planning and management, and protect from fraud and unhealthy businesses in financial markets, it is also expected that MSMEs have the ability to survive in state of financial crisis (Financial Well Being). The purpose of this study is to rank (sequence of factors that affect the level of literacy and financial inclusion) MSMEs in the city of Blitar. With the known sequence of factors that influence the level of financial literacy and inclusion MSMEs in the city of Blitar, stakeholders can determine the priority scale of the program for increasing financial literacy and inclusion for MSMEs. This research is a descriptive study, the unit of analysis is MSMEs in Blitar City. The sampling technique is based on purposive sampling, namely traders who sell food and vegetables in 5 traditional markets in the City of Blitar. There are 4 indicators used, namely age, education, income and gender. The results showed that the sequence of factors affecting the level of financial literacy and inclusion of MSMEs in Blitar City was age, then education, income and the last order was gender.

Keywords : MSMEs, Financial Literacy and Financial Inclusion

1. INTRODUCTION

Micro Small and Medium Enterprises (MSMEs) are an important sector and have a large contribution in realizing national economic development goals, such as economic growth, employment opportunities and regional economic development. MSMEs problems can be seen from two sides, namely internal and external (Susilo, 2010). From the internal side that are limited capital, weak business networks, and the ability to penetrate the market. While from the external side there are the business climate that is not yet conducive, the limited facilities and infrastructure, the implications of regional autonomy, the nature of products with short life time, and limited market access. MSME 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) revealed that government policies that require lending to MSMEs for Commercial Banks in Indonesia do not have a positive impact on increasing credit growth to MSMEs. On the other side, Banks having difficulty reaching the target of lending to MSMEs, because MSMEs have not fulfilled bank requirements to obtain credit.

Increasing financial literacy and inclusion are believed to be able to develop MSMEs because MSME can better understand the basic concepts of financial products, make better financial planning and management, and protect from fraud and unhealthy businesses in financial markets, it is also expected that MSMEs have the ability to survive in state of financial crisis (Financial Well Being). Increasing financial literacy and inclusion for MSMEs development also requires optimizing the use of financial technology to facilitate access and expand outreach. The purpose of this study is to rank (sequence of factors that affect the level of financial literacy and inclusion) of MSMEs in the Blitar city. With the known sequence of factors that influence the level of financial literacy and inclusion of MSMEs in the Blitar city, stakeholders can determine the priority scale of the program for increasing financial literacy and inclusion for MSMEs.

In Blitar City there are approximately 21,291 MSMEs that are spread in 3 Subdistricts. Of this amount of 12,898 is a micro business, the number always increases every year because micro businesses are still unstable. The large number of micro businesses is due to ability, the majority do not have enough capital and often change the products sold. Based on the background above, researchers are interested in conducting research with the title "Analysis of Factors Affecting Financial Literacy and Inclusion Levels at MSMEs in Blitar City.

2. LITERATURE REVIEW
2.1. Financial Literacy
Various studies on financial literacy have been carried out in several countries. Wachira and Kihiu (2012) have conducted a study on the effect of financial literacy on access to financial services in Kenya in 2009, apparently access to financial services is not only influenced by the level of financial literacy but is more influenced by income levels, distance from banks, age, status marriage, gender, household size, and education level. Van der Werff et al. (2013), in his study in 31 OECD countries in 2011, showed that factors affecting 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.

2.2. Inklusi Keuangan (*Financial Inclusion*)
The Consultative Group to Assist the Poor (CGAP-GPFI) 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 (2012) defines financial inclusion as a process that guarantees ease of access, availability, and benefits of the formal financial system for all economic actors. Financial inclusion is also influenced by technological developments. Andrianaivo

and Kpodar (2012) analyzed 44 countries in the African by 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.

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. Bank of Indonesia also made a policy to increase 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 (literacy) and 59.7 percent (financial inclusion). MSMEs in Indonesia are growing rapidly, even the OJK assesses that there is potential in the MSME 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 loans thrown / distributed (World Bank 2008). Sarma (2012) summarizes it all in one concept namely the Financial Inclusion Index (Index of Financial Inclusion).

2.3. Factors affecting the Level of Financial Literacy and Inclusion of MSMEs.

The results of research from Amaliyah and Rini (2015) show that gender and education level influence the level of MSME literacy, while the level of income does not affect the level of MSME literacy in Tegal City. Suryani and Ramadhan (2017) revealed that the factors of gender differences, age, level of education, and level of income, the influence of MSMEs financial literacy are education level and income level. While the results of research from Suryanto and Rasmini (2018) show that the level of formal education and business income affects the level of financial literacy of MSMEs while age does not affect the level of financial literacy of MSMEs. Research on the factors that influence financial inclusion was conducted by Rahman and Widyarti (2017), where the level of income and education level had a significant effect on total MSME credit, but demographic and geographical penetration of banks did not affect the total MSME credit.

3. RESEARCH METHODS

This research is a descriptive study, the unit of analysis is MSME in Blitar City. The sampling technique is based on purposive sampling, namely traders who sell vegetables, food and food ingredients in traditional markets in Blitar City, namely the Pon Market, Wage Market, Legi Market, Pahing Market and Templek Market.

Research instruments using questionnaires and interviews. The data analysis technique uses descriptive analysis to describe the findings, so that the ranking of factors that influence the level of financial literacy and inclusion of MSMEs in Blitar is known. There are 4 indicators used in this study, namely age, gender, education, income. With the known sequence of factors that influence the level of literacy and financial inclusion of MSMEs in the city of Blitar, stake holders can determine the priority scale of the program for increasing financial literacy and inclusion for MSMEs, which ultimately capital is no longer a major problem for MSMEs.

4. RESEARCH RESULT
4.1. Profile of Respondent

There are 5 traditional markets in Blitar City where vegetables, food and food ingredients are sold, namely Legi Market on Jl. Mawar, Pon Market on Jl. RA. Kartini, Wage Market on Jl. Mastrip, Templek Market on Jl. Kacapiring and Pahing Market on Jl. Mahakam. Profile of respondents based on research indicators is as follows.

The age of MSMEs businessman in Blitar City who were respondents was classified into 3, namely age under 30 years, 30 to 60 years and above 60 years. The percentage of MSMEs under the age of 30 years is 8%, ages between 30 to 60 years are 63% and ages over 60 years are 29%. From these data, it can be seen that vegetables, food and food ingredients traders in traditional markets in Blitar City are dominated by traders aged over 30 to 60 years.

Traders under the age of 30 more sell food ingredients / food products such as tempeh, tofu, sprouts and cakes. Traders aged 30 to 60 years usually occupy permanent stall and traders aged over 60 years sell vegetables, not much kinds of vegetables and does not occupy the stall.

Judging from the level of formal education of elementary school graduates at 31%, junior high school 47% and high school 22%. Elementary school graduates are dominated by traders aged 60 years and over, junior high school graduates are dominated by 30-60 years old, and high school graduates are under 30 years of age.
The average sales turnover per day from respondents, sales below Rp. 200,000 at 11%, sales between Rp. 200,000 to Rp. 500,000 by 35% and sales above Rp. 500,000 by 54%. Sales under Rp. 200,000 is dominated by sellers over 60 years old with merchandise in the form of vegetables and not occupying the stall, while those whose turnover is above Rp. 500,000 are traders of food, fish, chicken and vegetables that occupy stalls with various types of merchandise. The average trader income is between 25% to 30% of sales turnover.

Traders who become respondents in terms of gender are dominated by women with a percentage of 96%, while men are only 4%. Male traders have occupied stalls with merchandise in the form of fish, shallots, garlic and chillies.

4.2. Discussion

The results showed that the age factor ranks first that affects the level of literacy and financial inclusion of traders who are respondents. Respondents aged 55 years and over tend not to understand much about financial institutions and the products of these financial institutions and have never used the services of these financial institutions. Traders aged 60 years and over who make up 29% of the total respondents, all of them have never used the services of financial institutions. The profile of these respondents is that they still use kebaya and long cloth (jarit) and are already grandmothers, and this is still commonly found in traditional markets in the city of Blitar. The next sequence is the level of education, the higher the level of education the better the level of literacy and financial inclusion. Traders over the age of 60 can only be ascertained of elementary school graduates or even not attending school or not completing elementary school. For high school graduates the level of literacy and financial inclusion is good, but 50% of junior high school graduates have knowledge of financial institutions and also utilize the services of these financial institutions. The level of income does not have much effect on the level of literacy and financial inclusion, because respondents are still preoccupied with meeting short-term needs to be able to continue buying merchandise and resale. While gender does not affect the level of literacy and financial inclusion in vegetable, food / food ingredients traders.

5. CONCLUSIONS AND SUGGESTIONS

5.1. Conclusions

The order of factors affecting the level of literacy and financial inclusion of vegetable, food and food ingredients traders in the traditional markets of Blitar City is age, education, income and gender.

5.2. Suggestions

The increasing in financial literacy and inclusion of MSMEs is inseparable from technological development, therefore because age is ranked first, then if it relates to financial institutions, traders need assistance from the younger generation.

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