



## **Financial Inclusion Model in Batik Micro, Small and Medium Enterprises (MSMEs) in Tanjung Bumi village, Bangkalan**

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### **INFO ARTIKEL**

### **Abstract**

#### **Keywords:**

*Financial Inclusion, MSME, Batik.*

*This article aims to identify the financial inclusion model in batik Micro, Small and Medium Enterprises (MSMEs) in Tanjung Bumi Village. Financial inclusion in this study focuses on the issue of physical access and use of MSME financial services to credit and others. Data collection was conducted through interviews with Batik MSME entrepreneurs in Tanjung Bumi Village, Bangkalan. The data were analyzed using the qualitative phenomenological method. The results show that the financial inclusion model of Batik MSMEs is shaped by banking access and the use of banking services. Another thing that MSMEs do is to make capital credit through people's business credit (KUR) from Bank Rakyat Indonesia (BRI), and also access to marketing services in the form of exhibitions and assistance from BRI. Thus, it can be concluded that the financial inclusion model in batik MSMEs has begun to be recognized in batik MSMEs, although it is only limited to access to small credit values.*

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### **Introduction**

Micro, Small and Medium Enterprises (MSMEs) play an important role in economic development and growth in Indonesia. Likewise, the development of the micro, small and medium-sized economy in Bangkalan is dominated by Batik MSMEs. One of the well-known Batik MSMEs is the Batik MSME in Tanjung Bumi village. However, the issue of batik business is still a major problem. Especially on the issue of competitiveness and existence of the batik business. Many batik artisans in this village admit that they find it difficult to compete. This is indicated by the lack of financial infrastructure, the ability to manage accessibility to technology, other resources and also the issue of adaptation to new business patterns. Thus, MSMEs are still seen as economic helpers for rural communities. MSMEs are part of the national economy with an independent outlook and have great potential to improve community welfare (Palit, 2021). The batik potential of the Tanjung Bumi community

must be in accordance with their economic conditions (Wati, 2017). There are not many job prospects for the people in Madura, so the only hope is in Batik micro, small and medium enterprises (MSMEs) (Ghozali, Utomo and Toyib, 2017). The growth of batik MSMEs in Tanjung Bumi will be able to increase the income of local residents and encourage strong economic stability (Baskoro, Ansori and ..., 2016).

According to the survey results of Dewi & Rahayuningsih (2022) batik micro, small and medium enterprises (MSMEs) in Tanjung Bumi Village are facing a number of problems due to the pandemic. To start, their buying power has declined. Second, fewer people have visited as a result of Covid-19. The tourist industry is one among the several industries impacted by the Covid-19 epidemic. Third, limitations on raw material fulfillment. Materials required for production are known as raw materials. Fourth, batik sales and marketing have declined. Fifth, the fulfillment of capital is subject to limitations.

MSME problems that are often encountered are in financial management, financial control, accuracy, and business transparency (Rumbianingrum and Wijayangka, 2018). This financial management is at least a distinct advantage for MSMEs. If financial management is carried out properly, it is certain that these MSME actors can maintain the level of financial stability of their business. This financial management plays an important role in the success of MSMEs and can be used to ensure the survival of their business in the long term. The financial performance of MSMEs is also shaped by their technological readiness. This causes Batik MSMEs to also be required to adapt and adopt technology, both related to products and marketing. If MSME entrepreneurs have high technological readiness, then their tendency to quickly adopt e-commerce for their business interests will be higher. This e-commerce adoption significantly affects the benefits for business actors (Fathimah, 2019) and (Noviani Hanum and Sinarasri, 2018). Mastery of language literacy can also hinder business actors from adopting e-commerce (Perkasa, 2020). Thus, the main problem for batik MSME entrepreneurs also lies in the knowledge and accessibility of finance and marketing to remain competitive.

The issue of capital and marketing is indeed a basic problem for Batik MSMEs. One strategy that can be used as an alternative effort to overcome these problems is the financial inclusion model (Irmawati, Damelia and Puspita, 2013). This is because it is important for MSME actors to understand and have knowledge about financial inclusion and financial literacy. This is so that the performance and sustainability of MSMEs can be obtained with strong financial management. This management is strengthened by understanding financial inclusion and financial literacy for Batik MSMEs. The financial management of batik MSMEs can function optimally if they have good financial knowledge and awareness. Thus, it is necessary to research the form of inclusion model needed by Batik MSMEs, so that they remain competitive.

Financial inclusion is an effort to achieve effective access and need-based financial services (Nwankwo O, 2014). Financial inclusion can improve a country's economy and develop all sectors (Alnabulsi and Salameh, 2021). Access and use of financial services allows investors to invest in business plans, which can improve the financial status of entrepreneurs (Eton M, 2021). In order to improve people's lives (Akhmad *et al.*, 2021). A comprehensive initiative that seeks to remove any barriers people face when consuming or using financial services, including tariff and nontariff barriers (Yanti, 2019). Ownership of savings accounts, insurance, payment services, and credit from non-formal financial institutions is a measure of financial inclusion (Septiani and Wuryani, 2020).

## **RESEARCH METHODS**

### **Research Design**

This research uses a qualitative research design with phenomenological methods. This is because the purpose of this research is to describe the significance of life experiences experienced by many people related to certain concepts by examining the structure of financial inclusion. Therefore, through this phenomenological study, researchers try to understand the meaning of the experiences experienced by Batik MSME entrepreneurs.

### **Data Collection and Informants**

Data were collected through interviews with 5 informants, namely Batik MSME entrepreneurs in Tanjung Bumi village, Bangkalan. They were selected based on the recommendation of the Tanjung Bumi village, so the technique of selecting informants used a purposive technique. The data collected focused on the problems or issues related to the financial inclusion of the Batik MSME entrepreneurs that they have mastered so far, and also on the benefits of the financial inclusion for their business development.

### **Data Analysis Technique**

The collected data were processed and analyzed using the phenomenological method. This method prioritizes analysis that comes from the awareness and experience of the informants (Kristina, 2020). Likewise, in this study, the data analysis of the research results is based on the experiences of batik business actors in their mastery related to financial inclusion.

## **RESULT AND DISCUSSION**

### **Identification of Financial Inclusion Issues**

The identification of the problems of Batik MSMEs in Tanjung Bumi village related to financial inclusion shows that they have gained awareness of the use of access to financial institutions. This is evidenced by the fact that since 2005, many Batik MSME entrepreneurs have been cooperating with bank financial institutions for their business capital. This is also evidenced by the number of bank financial institutions in Tanjung Bumi sub-district, such as Bank Rakyat Indonesia (BRI), Bank Negara Indonesia 46 (BNI), Bank Tabungan Pensiunan Nasional (BTPN), Bank Centra Asia (BCA), Bank Jatim, Bank Mandiri. And also began to appear also non-bank institutions including pawnshops and cooperatives. With so many bank and non-bank institutions appearing, it shows that they (MSME actors) should have started to recognize access to banking and non-bank capital. This ease of access will also make it easier for these Batik MSME entrepreneurs to get banking services. This can certainly be an option for them when they need capital support. Especially when they started to rise due to the covid pandemic in 2020 yesterday. The covid pandemic has had an impact on the business environment (Yola Amalia and Kristina, 2021). This also has an impact on the existence of batik MSME entrepreneurs who are starting to rise from the covid pandemic several years ago.

Not all batik MSME entrepreneurs access capital from BRI. This is because there are problems in the sustainability efforts of the business assistance program

by BRI. This is due to their inability to make the payment process. Sometimes this problem also arises due to their inability to survive. The reason for surviving in batik MSMEs is also not only a matter of competitiveness, but also for other social reasons. Usually this happens to MSME actors who are family-based (Khasanah and Kristina, 2020). Social initiatives in efforts to maintain the business are dominated because the business is a micro and small-scale business, which is run as a family business. This is the case for these batik MSME entrepreneurs who have a burden on the existence of high interest rates when they access business capital loans available at banking institutions and non-bank institutions. They consider the payment of this credit as debt and a burden for them. These batik MSME entrepreneurs actually feel comfortable if they use their own capital, but some of them are also forced to access capital loans from banks.

The choice of batik MSME entrepreneurs at BRI is because the installments offered are quite low, without collateral, and they have also partnered with BRI. BRI has many programs that are quite helpful to them. The existence of an assistance program for MSME entrepreneurs actually brings great benefits to them, but there are some of them who are not comfortable with this program. Thus, MSME entrepreneurs have a sense of trust with banks. Even so, these entrepreneurs also only borrow small amounts, some of their capital still uses their own capital. However, due to the closeness of the partnership, these entrepreneurs maintain a banking relationship with BRI and the bank is willing to facilitate them so that their business can grow.

In addition, BRI also provides mentoring programs. The beginning of the partnership between BRI and Batik MSME entrepreneurs is because BRI has a work program that focuses on helping MSME entrepreneurs. BRI came to batik business locations and met business actors by offering partnership programs or said to be business capital cooperation. All requirements and benefits of this partnership are agreed by the actors in the hope that their business will develop centrally and be economically competitive.

In addition to BRI, many Batik MSME entrepreneurs have actually participated in cooperation with many partners. This is related to marketing, where they participate in many exhibitions, both at their own expense and financed by partners. They use this exhibition as a means of promoting and selling their batik production. These exhibitions are held in local and national areas. Of course, micro and small business owners cannot afford to attend these exhibitions at their own expense. Therefore, they do a lot of local and simple self-promotion efforts.

### **Financial Inclusion Model of UMKM Batik in Tanjung Bumi Village**

Based on the identification of problems related to financial inclusion faced by Batik MSMEs in Tanjung Bumi village, the identification of a financial inclusion model is obtained. The identification of internal factors that arise is the strength factor of this perpetrator. This factor is an effort made by the actors through partnership efforts with banks and non-banks. This is related to capital. Access to planned and partnered capital will of course make it a lot easier for them to access this capital pattern. This easy payment system still leaves the problem of credit interest that they are unable to pay is still considered a problem for the actors, and also on administrative issues that they are not well versed in. BRI banking is still a mainstay bank for them that can help them grow economically. However, many micro-scale businesses do not take advantage of this easy access to capital, preferring a simple

capital system of their own. Despite the hardship, they persevere. Their lack of understanding of the administration system and their ability to repay credit is still an obstacle to easy access to banking services.

On the other hand, externally, it was identified that other partners outside the government are open to help. Many companies or others have CSR programs and care about these batik MSME entrepreneurs. The opening of opportunities to partner with the government or others is at least a good opportunity for MSME actors to grow. Coaching and mentoring from partners will be an extraordinary help for these MSMEs. However, this is also followed by their reluctance to access other services. These MSME entrepreneurs still focus on capital and marketing issues only. Even though many activity programs are offered by their partners. Thus, these various problems have led to a financial inclusion strategy for these batik MSME entrepreneurs, including continuing to open access to capital, continuing to look for and strengthen partners so that their cooperation is wider and stronger. Existing partnerships are not only focused on capital issues, but also on production, training, productivity and of course marketing using technology. This is because the interaction of technological advances and adaptability in MSME actors really helps them to be competitive (Faiza and Kristina, 2021). Education on understanding access to financial inclusion for Batik MSMEs is very important for the development of their business. The role of batik actors in access to finance is not only focused on capital issues, but also access to services related to marketing that they really need. Thus, based on the identification found, the following can be described as a financial inclusion model:

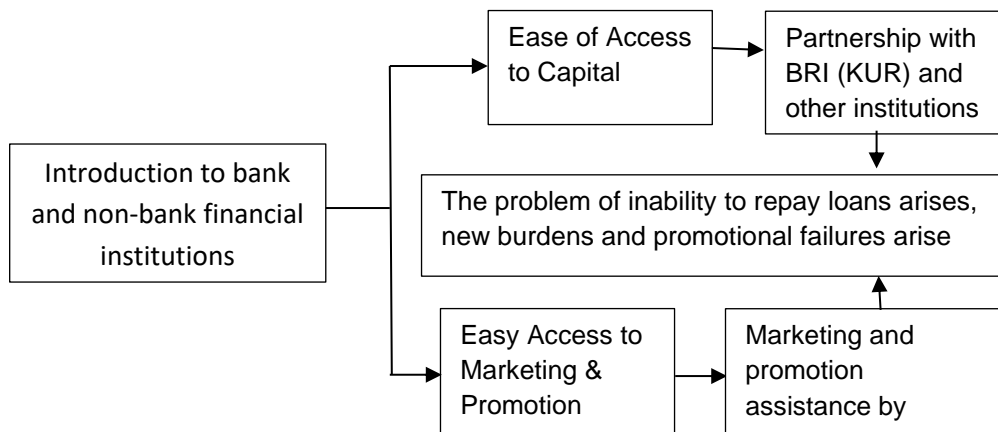


Figure 1: Identification of the Financial Inclusion Model

From Figure 1, the identification of the findings of the financial inclusion model shows weaknesses, which raises other problems. This identification requires mapping new efforts related to understanding access and expanding access to financial services for Tanjung Bumi Batik MSMEs. This shows that strategic efforts are needed to be made by the actors, namely:

1. Batik MSME actors at least open access to other capital by expanding the network of cooperation, especially in loan capital with soft and easy interest rates.
2. Strengthening financial inclusion education for MSME entrepreneurs related to marketing, production and promotion by strengthening understanding of technology

3. Strengthening business governance for actors by making many adoptions and adaptations in every business change they encounter, one of which is by forming a community that strengthens each other.

The identification of this financial inclusion model shows the need for a strategy for Tanjung Bumi Batik MSME entrepreneurs to immediately present the accuracy of the need for access to appropriate financial services, so that the problems they face are immediately resolved.

## CONCLUSION

Based on the results of the research and discussion described, it can be concluded that financial inclusion in batik MSMEs in Tanjung Bumi village is quite adequate because it has collaborated with financial services in the form of BRI since 2005, although in terms of capital, batik MSME business actors only use People's Business Credit (KUR) because it offers quite low installments and without any guarantee, while in terms of marketing and assistance, apart from BRI, there is also local government intervention such as providing exhibitions for batik promotion.

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