

The Inclusive role of finance to female MSME entrepreneurs in Padangsidempuan City (Case study of traders in Sangkumpul Bonang Market, Padangsidempuan)

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Abstract. The role of financial inclusion for female MSME entrepreneurs in the Sangkumpul Bonang Market, Padangsidempuan city is very important because with more and more people having access to financial products and services, it is hoped that the community will be able to improve welfare and economic growth in the region will be more motivated. Moreover, in Padangsidempuan city there Padangsidempuan city. The theory in this research is a way to socialize the financial sector, especially to facilitate banking services and financial access for the public. Financial inclusion programs in Indonesia are expected to have a significant impact on disadvantaged communities, including those with low incomes, fringe benefits, minorities or those who do not have a legal identity. This research uses qualitative data in descriptive form. The types and sources of data used in this study are primary data, in which primary data consists of the results of interviews about female MSME entrepreneurs who do not have knowledge of banking services. The results of this study indicate are still many MSMEs who are not familiar with access to banking, both conventional and sharia, especially for female MSMEs who still rarely use banking services, and the purpose of this problem is to find out how big the role of financial inclusion is in making services easier for female entrepreneurs in the Sangkumpul Bonang Market, that some of the female MSME entrepreneurs in the Sangkumpul Bonang Market, Padangsidempuan city, still do not know how to do banking, but there are some of them who are familiar with but do not have any access to banks because the conditions are too difficult.

Keywords: Financial Inclusion, Female MSME Entrepreneurs

1 Introduction

Bank and non-bank financial institutions have an important role in a country's financial system. One of them is maintaining financial stability in the economy of a country. The role of the banking sector is very much needed to revive economic activity. (Nurjannah, 2017, 1.) Economic growth cannot be separated from the contribution of financial institutions that act as intermediary institutions, namely collecting funds from people who have excess

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funds and channeling them to people in need. Especially during the current pandemic situation, financial inclusion is very important, because wide open access to finance will further help accelerate the National Economic Recovery (PEN) program. (Karenina). The role of the banking sector is very much needed to revive economic activity. Islamic banks are banks whose activities leave usury. Thus, avoiding interest which is considered usury is one of the challenges at this time. The role of Islamic banks in the economy is relatively small because people are more familiar with conventional banks than Islamic banks. There are several obstacles to the development of Islamic banking so far, namely:

1. Inadequate public understanding of the operational activities of Islamic banks
2. Sharia bank office network which is still limited
3. Human resources with expertise in Islamic banking are still limited.

The government also continues to roll out various programs to increase the financial inclusion of the Indonesian people which is not limited by regional strata. Furthermore, the Government stipulates Presidential Regulation Number 114 of 2020 concerning the latest National Strategy for Financial Inclusion (SNKI) which stipulates that financial inclusion targets are set by the President. Economic development can be interpreted as an effort that aims to improve the standard of living of the community as seen from the size of the real income per capita of a country. Every economic development is expected to increase economic growth. "According to Mishkin, capital is the main source of economic growth. Economic growth cannot be separated from the contribution of financial institutions that act as intermediary institutions, namely collecting funds from people who have excess funds and channeling them to people in need. (Steelyana W, 2013, 97.) Especially during the current pandemic situation, financial inclusion is very important, because wide open access to finance will further help accelerate the National Economic Recovery (PEN) program.

During the pandemic, many things have happened, including massive layoffs at a number of private companies. In conditions like this, the role of housewives is also important, especially those who have run or have just started a productive business, it is very possible that most of them can become the savior of the family economy and the driver of national economic recovery. Financial inclusion policies are very important to improve people's welfare, especially during the Covid-19 pandemic. Direct distribution of cash social assistance to recipient bank accounts, for example, makes the benefits of the realization of the National Economic Recovery program immediately felt by the community, especially low-income families and micro and small business actors. The role of women in various parts of the world has undergone many changes. Women are the largest occupants, reaching 50% of the world's population, but only 40.8% are employed in the formal sector. Meanwhile, companies owned by women have also increased, but on the other hand, many women entrepreneurs are having difficulty obtaining credit from banks or other banking services. In fact, access to and facilities for banking services is one way to strengthen the community's economy. (Rusby, 2017, 76–77.)

Women micro-entrepreneurs have technical and structural problems. The technical problems of women's businesses experience the same obstacles, such as lack of capital, limited mastery of appropriate technology, limited market networks, management skills and mastery of technical skills. Meanwhile, structural problems in the form of unfair regulations in terms of providing credit and women find it difficult to develop a business because of the limited time that is divided between family and homework.

The development of female MSME entrepreneurs is very important because with more people having access to financial products and services, it is hoped that the community will be able to improve their welfare and economic growth in the region will be more spurred. The city of Padangsidempuan is one of the cities in which several banks have operated both conventional and sharia. However, as is well known, there are still many MSMEs who are not familiar with access to banking, both conventional and sharia, especially for female

MSMEs who rarely use banking services such as saving, borrowing, opening savings to banks and other services which are still unknown to many female MSMEs in the city. Padangsidempuan.

To improve welfare and economic growth in the city of Padangsidempuan, especially during the current pandemic, the community's economy is decreasing drastically due to restrictions on being outside the home, so to restore the declining community economy, especially for women MSME entrepreneurs, the role of financial inclusion is very important to improve people's welfare and the economy of the people who need an introduction to access or banking services where banking companies are already everywhere, especially in the city of Padangsidempuan, there are already many banking companies. Based on the explanation above, it can be concluded that financial inclusion is very important to improve welfare, improve the economy which has declined due to the pandemic and can improve the standard of living of people who lack access to formal financial services. So the researchers raised the title of "The Role of Financial Inclusiveness towards Women MSME Entrepreneurs in Padangsidempuan City (Case Study of Traders in the Sangkumpul Bonang Market, Padangsidempuan City)".

2 Literature Review

2.1 Understanding Financial Inclusion

Financial inclusion is access for every person or business to be able to take advantage of financial products or services. This service plays an important role in being able to meet all human needs every day, such as payment transactions, savings, credit and insurance that can be done effectively. Based on the Financial Services Authority Regulation or OJK Number 76/POJK.07/2016, financial inclusion is the availability of access to various products, financial services and institutions. Various financial services in it can be chosen according to the abilities and needs of the community in an effort to improve their welfare. So it can be concluded that financial inclusion is a condition that allows everyone to have access to take advantage of financial products or services, such as making loans, having insurance, savings, or utilizing digital transaction products such as m-banking or electronic money from certain companies.

Financial Inclusive Goals

The main goal of financial inclusion is to avoid economic inequality at various levels of society. This is because by utilizing financial inclusion, it will make it easier for every community to be able to gain access to financial products or services more comprehensively so that they can be used properly. (Lestary Kusnandar, 2013, 351–352.)

Financial Inclusive Benefits

Financial inclusion also has good benefits for every community, which are as follows:

1. Giving Understanding to the Community
2. Help Increase Economic Equity
3. Prepare a Good Financial Plan
4. Increasing the Country's Economic Growth

Financial Inclusive Approach and Principles

According to the Presidential Regulation of the Republic of Indonesia No. 82 of 2016 concerning the National Strategy for Financial Inclusion, there are several approaches and principles of financial inclusion, namely:

Financial Inclusive Approach

- a. The combination of four main concepts that are mutually reinforcing, namely encouraging economic growth, creating financial system stability, supporting poverty reduction programs, and reducing disparities between individuals and between regions.

- b. Identification of solutions to problems that hinder the expansion of access to all levels of society to financial services and opportunities for productive economic activities by taking into account domestic and international best practices and lessons learned.
- c. Harmonized and coordinated efforts by involving all stakeholders in the public, private and community sectors.

Principles of Financial Inclusion

- a. Leadership: fostering government and financial authorities' commitment to increasing financial inclusion.
- b. Diversity: encourage the availability of various financial services by various financial service providers.
- c. Innovation: encouraging technological and institutional innovation as a means to expand access to and use of the financial system.
- d. Protection: promote a comprehensive approach to consumer protection that involves the roles of all stakeholders in the public, private and community sectors.
- e. Empowerment develops financial literacy and community financial capacity.
- f. Cooperation: strengthen coordination and encourage partnerships between all stakeholders in the public, private and community sectors. In terms of its intentions, the inclusive financial service scheme is intended to address the poverty situation. The first thing to do is to open up the exclusivity of the terms for providing capital which is generally practiced by financial institutions.

Financial Inclusive National Strategy

The Financial Inclusive National Strategy or better known as the 2016 SNKI divides the financial inclusion strategy into 5 main pillars (Presidential Regulation of the Republic of Indonesia Number 82 of 2016), namely:

1. Financial education, which seeks to increase public knowledge and awareness of financial products and services in formal financial markets. Community Property Rights, many people are unable to make loans in formal financial institutions because formal loans generally require providing collateral in the form of assets owned.
2. Intermediation facilities and financial distribution channels, infrastructure that is not evenly distributed in Indonesia is often a barrier to public entry into formal financial institutions.
3. Financial Services in the Government Sector, this pillar aims to improve governance and transparency of public services in the distribution of non-cash government funds.
4. Consumer Protection, this last pillar aims to provide a sense of security to the public in interacting with financial institutions, and has the principles of transparency, fair treatment, reliability, confidentiality, and security of consumer data/information, complaint handling, and simple consumer dispute resolution. , fast, and affordable cost. (Indriyati, 2020, 15–16)

2.2 Understanding MSMEs (Micro, Small and Medium Enterprises)

MSMEs are independent productive business units carried out by individuals or business entities in every economic sector. If viewed from its activities, MSMEs are an inseparable part of people's lives in meeting their needs, such as economic activities and trade. Trading is an activity that is beneficial for people who are making a living, but many people make a living in the wrong way, namely by eating usury. (dawn Nd, 2015, 18). MSMEs are a branch of the development of creative industries in the economy of each country. According to (Law Number 20 of 2008) concerning Micro, Small and Medium Enterprises (MSMEs), the definition of UMKM is explained in each type of business, including:

- 1) Micro-enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria;

- 2) Small business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part either directly or indirectly of Medium Enterprises or Large Businesses that meet criteria;
- 3) Medium-sized businesses are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part of either directly or indirectly with Small Businesses or 22 Large Enterprises with a total of net worth or annual sales results;
- 4) Large business is a productive economic business carried out by a business entity with a net worth or annual sales income greater than Medium Enterprises, which include state-owned or private national businesses, joint ventures, and foreign businesses conducting economic activities in Indonesia.

MSME Goals

The purpose of MSMEs is to grow and develop their businesses in order to build a national economy based on just economic democracy. Meanwhile, according to Bank Indonesia, MSMEs have an important and strategic role in national economic development. - development results. (Boediono, 2020, 9)

MSME business perspective

MSME Business Perspective In the book of the Indonesian Banking Development Institute it is said that from a business perspective, MSMEs are classified into four groups, namely:

1. MSMEs in the informal sector, for example street vendors.
2. Micro MSMEs are MSMEs with the ability to develop their business.
3. Dynamic Small Business is a group of MSMEs capable of entrepreneurship by establishing cooperation (accepting sub-contract work) and exports.
4. Fast Moving Enterprise is an MSME that has capable entrepreneurship and is ready to transform into a big business. (Sincerely, 2017, 1)

2.3 Financial Inclusive Relationships with Banking

The relationship between financial inclusion and the banking world is closely related, because those who implement financial inclusion include the banking world, namely Bank Indonesia and OJK. The role of the national banking system as a financial intermediary institution for the community plays a vital role in realizing this national program. Inclusive finance is very relevant to support the effectiveness of the functions and duties of Bank Indonesia and the national banking sector, both in terms of monetary, payment systems and macroprudential. Islamic banking as part of the national banking industry, with its special characteristics also has great potential to contribute to realizing national financial inclusion. Islamic banking and finance industry in general are being challenged to fulfill their role. Moreover, this is corroborated by the results of a survey by the Financial Services Authority (OJK) in 2016 which found that although the majority of Indonesia's population is Muslim, in reality the level of literacy and sharia financial inclusion is still far from optimal. Halim Alamsyah, in the 2014 National Seminar on Inclusive Finance stated that Islamic finance and financial inclusion policies have the potential to synergize well, given the similarity in concept, namely that inclusive finance aims to provide easy, cheap, safe and appropriate financial access for the unbanked community, and aims to improve the capability of the community to be able to live more prosperously and get out of the poverty line.

Meanwhile, sharia principles aim to improve the welfare of the community through the principles of partnership and profit sharing. In addition, several thoughts on Islamic Financial Inclusion are currently developing, particularly related to the potential utilization of socially valuable activities. (Bank Indonesia)

Definition of Islamic Bank Islamic bank is a form of national banking company that bases its operations on sharia Islamic law. Furthermore, in Law no. 21 of 2008 concerning Islamic banking article 1 states that: "Sharia banking is everything that concerns Islamic banks and sharia units, including business activity institutions, as well as methods and processes in carrying out their business activities". (Law on Sharia Banking, 2) Sharia bank is a bank whose activities refer to Islamic law, and in its activities neither charge interest nor pay interest to customers. The rewards received by Islamic banks and those paid to customers depend on the contract and agreement between the customer and the bank. Agreements (contracts) contained in Islamic banking must be subject to the terms and pillars of the contract as regulated in Islamic sharia. (Ismail, 2011, 32)

Islamic banks are banks whose operating procedures follow the provisions of Islamic sharia. One thing that must be avoided in Islamic muamalah is practices that contain elements of usury. Islamic banks are banks that operate without relying on interest, which refers to the provisions of the Qur'an and hadith. (Awaluddin, 2013, 22) According to Sudarsono, Islamic banks are state financial institutions that provide financing and other services in payment traffic and money circulation that operate using sharia or Islamic principles. According to Schaik, Islamic banking is a form of modern banking based on Islamic law, which was developed in the Islamic Middle Ages by using the concept of risk sharing as the main system and eliminating the financial system based on certainty and predetermined profits. (Andrianto & Anang, 2019, 25)

According to Muhammad, Islamic banks are financial institutions that operate without relying on interest and whose main business is to provide financing and other services in payment traffic and money circulation whose operations are in accordance with Islamic sharia principles. (Umam, 2013, 16) So it can be concluded that a sharia bank is a bank whose activities refer to Islamic law and in its activities it does not charge interest or pay interest to customers. The agreement (contract) contained in Islamic banking must be subject to the terms and pillars of the contract as regulated in Islamic law.

2.4 Objectives of Islamic Bank

The purpose of Islamic banking is to "uphold the implementation of national development in order to improve justice, togetherness, and equitable distribution of people's welfare". In achieving the objectives of upholding the implementation of national development, Islamic banking still adheres to sharia principles as a whole (kaffah) and consistently (istikamah). (Banji & Neneng, 2017, 11) The objectives of Islamic banks are described in Article 4 of Law Number 21 of 2008 concerning Islamic Banking, namely:

- 1) Sharia Banks and UUS are required to carry out the function of collecting and distributing public funds.
- 2) Islamic banks and UUS can carry out social functions in the form of baitul mal institutions, namely receiving funds from zakat, infaq, alms, grants, or other social funds and channeling them to zakat management organizations.
- 3) Islamic banks and UUS can collect social funds originating from cash waqf and distribute them to waqf managers (nazhir) in accordance with the will of the waqf giver (wakif).
- 4) The implementation of social functions as referred to in paragraphs (2) and (3) is in accordance with the provisions of the legislation. (Sadi, 2015, 48)

Islamic Bank Functions

The function of sharia banking is regulated in article 4 paragraph (1) of law number 21 of 2008 concerning sharia banking, which states that "Islamic banks and UUS are required to carry out the functions of collecting funds and distributing public funds. Islamic banks have three main functions, namely:

- 1) Agent of trust, namely the bank as an institution that is trusted by the public to be able to entrust their funds and distribute them to the right sectors.
- 2) Agent of development, namely the bank as an institution that supports investment, distribution, and consumption of goods and services.
- 3) Agent of services, namely banks as institutions that provide financial services to the public. (Rahmat Hidayat, 2017)

2.5 Financial Inclusive Relationships with Women MSME Entrepreneurs

Financial inclusion refers to access to various financial services, at a reasonable cost, for people who are considered unbanked as well as those who run businesses in rural areas; such as agriculture or animal husbandry. In 2020, the National Strategy for Women's Financial Inclusion (SNKI Perempuan) was also launched. With the existence of the Women's SNKI, it is increasingly emphasized that the women's segment is one of the priority segments in increasing financial inclusion in Indonesia. SNKI Perempuan has a vision to ensure that all women in Indonesia have the knowledge, capacity, resources, and opportunities to achieve and enjoy economic empowerment that refers to gender equality. The role of women in household activities has long been known as housewives. However, in its development, women, apart from taking care of the household, also play an active role in earning a living in the formal sector for various reasons and diverse motives. Many women traders enter the informant sector due to the obstacles they face, including low levels of education and low family income. Trading as a traditional trader is a choice of work that is mostly done by women in Padangsidempuan. (Kurniawan & Lestari, 2020, p. 122)

The target group of women who are the targets of intervention in the implementation of the Women's SNKI is divided into four categories, namely:

- 1) Women in the lowest 40% income group;
- 2) Women workers, especially migrant workers;
- 3) women owners of MSMEs; and
- 4) female housekeeper.

3 Research method

This research was conducted at the Sangkumpul Bonang market, Padangsidempuan City. It will be held in November – December 2021. Research subjects are sources of information that are used as sources of information needed in collecting research data sources. Either he is defined as an object, thing or person that is a place of data where research variables are attached. In determining the subject, the researcher used purposive sampling technique. Purposive sampling technique is a sampling technique with certain considerations. (Revelation, 2010, 79) Given the limited knowledge of the subject in detail about access to finance, such as lack of knowledge about banking services. So the researcher took the research subject as an informant. In this case the researcher only determines the research subject with different criteria based on background knowledge, the type of business is own business, for that the researcher takes informants from some women traders who are able to provide information about the role of financial inclusion for women MSME entrepreneurs. In this case, the researcher determines the research subjects, namely women traders in the Sangkumpul Bonang Market as many as 10 people.

The data source is the subject from which the data was obtained. The data sources in this study are primary data. Primary data, namely data obtained directly from research subjects. Primary data is carried out by researchers to answer research questions. The primary data sources are women traders in the Sangkumpul Bonang market, Padangsidempuan city, with 10 informants who were directly interviewed.

The data collection method used in this research is field research. Field research is conducting research in the field to obtain data or information directly by visiting the market in the city of Padangsidempuan. The data collection instrument is a tool used to obtain research data and correct the variables studied. The data collection instrument is by conducting interviews and also observing women traders who are in the Sangkumpul Bonang market.

- a. The interview method is or interview is a process carried out to obtain the information needed in research by conducting questions and answers face to face with informants. The connection with this research is to obtain data, researchers use this interview method to be able to interact directly with the respondents so that the results of the research that the researchers examine are obtained accurately.
- b. The observation method is an activity of focusing attention on an object that involves the five senses with the aim of obtaining information. This method used in this study was used by researchers to observe whether there were many financially inclusive female MSME entrepreneurs who had access to it.
- c. Documentation is a data collection technique used for collecting data in the form of phenomena that are still actual and in accordance with the research problem. This method used in this study is used as evidence of the fact that in data collection the data was taken according to the researcher's problem. (Gautama, 2020)

4 Results and Discussion

The majority of traders in the Sangkumpul market in Padangsidempuan know how the services offered by Islamic banks and conventional banks are, but most of these traders are not sure to have access to Islamic banks because according to some they are still unsure and feel that the location of the Islamic bank is far from their residence. At the Sangkumpul Bonang Market, Padangsidempuan City, financial inclusion has a very important and strategic role during the pandemic and during the current PPKM. Its role is to increase and equalize the welfare of the community, which can reach people in various remote villages who need financial assistance, and can increase the economic resilience of the community by growing many requests. The higher the level of financial inclusion, the easier it will be to distribute to people in need. Expanding access to inclusive finance, financing and capital will be easier and more affordable for the community.

In addition, the formal financial sector is a public good and therefore every citizen has the right to access various quality, timely, convenient, clear and affordable formal financial products and services.

Therefore, access to formal financial products and services must be provided for all segments of society, with special attention to the low-income poor, the productive poor, migrant workers and people living in remote areas. The government and Bank Indonesia have a very important role in expanding the involvement of the financial sector. In addition, the private sector can also see that there is a very large market gap for the Indonesian population that has not been touched by banks if they can be reached through various innovative strategies. In its implementation, financial inclusion cannot be seen narrowly only by expanding public access to the formal financial sector and increasing public interest in having a savings account at a bank, but also to be more encouraged to provide credit/micro credit facilities for both individuals and MSMEs. Therefore, inclusive finance must be seen or positioned as one of the strategies in national economic development and efforts to reduce poverty and social inequality. Poverty alleviation efforts must be able to combine social inclusion, financial inclusion and inclusive economy.

5 Conclusion

Based on the results of research on the role of financial inclusion in banking services that are easier for female MSME entrepreneurs in the city of Padangsidempuan, it can be concluded that: Financial inclusion plays a very important role for women MSME entrepreneurs, because financial inclusion can provide many benefits for MSMEs, the government and also regulators that can improve the economy and reduce poverty. Financial inclusion can be used as a sub-pillar of policy directions in order to increase economic value added.

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