

EXPLORING THE IMPACT OF ABCG COLLABORATION ON COMMUNITY-BASED FINANCIAL INCLUSION AND MSMEs PERFORMANCE IN INDONESIAN

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Abstract

Financial inclusion is the key to driving economic growth, poverty alleviation, and inequality. In Indonesia, one implementation of financial inclusion that has been carried out and developed is in Micro, Small, and Medium Enterprises (MSMEs). However, it was realized that the implementation of financial inclusion for MSMEs experienced many obstacles. Both formal (banking) and informal financial institutions with a variety of strategies continue to strive so that Financial Inclusion can be implemented at MSMEs. Daya is a program run by BTPN by integrating community-based quadruple helix ABCG (Academics, Business, Community, and Government) collaboration. This study aimed to describe and explore the ABCG collaboration model that supports the effectiveness of Financial Inclusion and measure its impact in improving the performance of MSMEs and Financial Inclusion in Indonesia. This research used qualitative and quantitative methods. The former used Focus Group Discussion, in-depth interviews, and observation while the latter used a Likert scale through surveys to the respondents. The results showed that the role of the actors involved has facilitated financial inclusion, and the ABCG collaboration model has a positive impact in achieving community goals, business independence, solving operational problems, increasing income, opening market access, and increasing the skills and knowledge of MSMEs.

Keywords: Financial Inclusion, Collaboration, BTPN, University, Community, MSMEs

1. INTRODUCTION

Financial inclusion is an instrument that plays an important role in financial system stability through access and financial services [1]. The entire financing ecosystem has shifted to an inclusive financing system whose main purpose is to provide various financial services to the poor and low-income earners [2][3]. Measurement of financial inclusion as access and use of financial services is an important economic goal, especially its financial development; therefore it has been debated as an important policy tool that can help achieve the Sustainable Development Goals (SDGs) [4] of poverty alleviation. This is very interesting for policymakers to learn about encouraging financial inclusion and how financial inclusion can be influenced

by national policies [5]. In Indonesia, one implementation of financial inclusion that has been conducted and developed is in Micro, Small, and Medium Enterprises (MSMEs). These enterprises are one of the most important organizations in the world and play a role as highly large employers and as major providers of the basic needs of low-income people who live mostly in rural areas [6]. MSMEs are one of the important variables in a country's economy, and this sector can encourage economic growth and create jobs; therefore, it can be said that it can play a role in maintaining economic stability [7]. In addition to playing a role in economic growth and employment, MSMEs also play a role in rural development, the growth of women entrepreneurship, and the production of goods and services to meet the basic needs of lower middle-class households [8].

At present, the number of MSMEs in Indonesia reaches approximately 63-64 million enterprises. In 2017, the MSME workforce absorption rate was approximately 97.02% of the entire national workforce and had a contribution to the gross domestic product (GDP) of 60.34% [9]. However, roughly 60% - 70% of MSMEs in Indonesia do not have access to banking [10]. The level of financial inclusion from MSMEs in Indonesia only reaches 30%, of which 76.1% comes from bank financing and 23.9% comes from non-bank financing [6].

MSMEs in Indonesia have several major obstacles in accessing financial institutions, especially for those who do not have tangible assets to be used as collateral [8]. This is also because the poor do not have sufficient collateral as required by banks to obtain loans and the lack of interest in the financial institution owners to work on the business in the sector [11]. Other constraints as indicated by the Indonesian Financial Services Authority [12] data included the fact that the Total Non-Performing Loan (NPL) from MSMEs rose from 29.79 trillion in 2015 to 36.21 trillion in 2019. According to Central Bank of Indonesia 2018 data [13], the sector bad loans in Indonesia increase by 5.09% year to year. This is the reason why banks often refuse to finance MSMEs. Moreover, there are also obstacles to their performances including the high prices of raw materials for production, limited competent resources, capital difficulties, and lack of product marketing networks [14]. To improve the performance of MSMEs, both formal and non-formal financial institutions with their various strategies continue to strive so that Financial Inclusion can be conducted at MSMEs. The World Bank, IMF, and ADB also emphasized the importance of achieving inclusiveness to support inclusive development. To realize financial inclusion, we need a financial institution that is directly in touch with the community, especially the lower middle class [15].

One bank that provides access to finance and focuses on empowering MSMEs is Bank Tabungan Pensiun Nasional (BTPN). The performance that has been carried out by BTPN is the reason for choosing this bank as the object of the case study in this paper. It consistently makes changes for the better and helps more MSME business communities. This is in line with the vision of BTPN: "becoming the best mass-market bank, changing the lives of millions of Indonesians". In 2019, this bank won the Gold Award in the Best Community Program category and ranked second in Indonesia in the World's Best Bank list by Forbes Magazine. BTPN has a program called Daya which was launched in 2011 as a sustainable and measurable and integrated mass-market empowerment program in products and services. There are three

pillars of the Daya Program: Daya of Health and Wellness, Daya of Business Growth, and Daya of Community Growth. Through the Daya Program, it seeks to strengthen financial inclusion in the MSME sector through the fostering and empowerment of the business community. In addition to providing loans for micro, small, and medium enterprises (MSMEs), the Community Business Program is a program that conducts mapping of the needs, interests, and potentials of the community to form a community together with providing experts in its formation and development, opening market access, and other resources needed to ensure that each community can realize its potential and improve their welfare. This Community Business Program is implemented in BTPN's subsidiary, BTPN Syariah. Daya in one of its programs integrates collaboration from all stakeholders. This collaboration adopts the concept of ABCG quadruple helix in which the ABCG element stands for Academics, Business, Community, and Government. It manages the available resources and forms a partnership pattern among them to run the economy [16]. In practice, this bank cooperates with universities and institutions, one of which is IPB University Business School (SB-IPB University) in Indonesia as element A. Element C is the poor who are BTPN customers, and element G includes both the Regional and Central Governments.

The purpose of this study was to describe and explore the ABCG collaboration model that supports the effectiveness of Financial Inclusion and to measure the impact of ABCG collaboration in improving the performance of MSMEs and Financial Inclusion in Indonesia. The novelty of this paper is the existence of strong collaboration among the elements in ABCG to be carried out in a comprehensive and integrated manner between the needs of the Bank as an Institution that provides access to finance and the characteristics of MSMEs as credit recipients. In addition, the role of tertiary institutions is one of the major roles in supporting the performance and effectiveness of financial inclusion, especially for MSMEs.

2. MATERIALS AND METHODS

Materials in this study use primary data. Primary data is collected and processed by researchers. Primary data was obtained through Focus Group Discussions, in-depth interviews, observation, and distributing questionnaires. A Focus Group Discussion was held between BTPN, the University (SB-IPB University), the government, and MSMEs regarding the collaboration being carried out and the evaluation of the programs being carried out. In-depth interviews, observations, and questionnaires were conducted on MSMEs to see the effectiveness and impact of funding through the Daya program on their performance. This research used qualitative and quantitative methods. The qualitative method was used to obtain information related to the collaboration model between ABCG in the Daya program and the preparation of the SME empowerment curriculum. Information was obtained through focus group discussions and in-depth interviews attended by the BTPN, SB-IPB University, government, and SMEs. The information obtained is expected to be balanced and comprehensive due to the involvement among the parties representing the borrower and lender. This study used the qualitative research method with a case study approach because the researchers had to develop in-depth analyses of collaboration patterns needed in the financial inclusion system. The exploration process involved important efforts, which include gathering specific data from the research

subjects through focus group discussions and in-depth interviews. This research was also supported by the quantitative method to see the effectiveness of the impact of the Daya program on the performance of MSMEs by conducting surveys, observations, and in-depth interviews. The survey was used to see the perceptions of MSMEs as BTPN customers on the positive impact of the Daya program. The perception was conducted using a Likert scale. Likert scale range used 1 - 4. The MSMEs were asked about their perceptions related to the impact of the Daya program on 7 aspects: achievement of community goals, business independence, solutions of operational problems, increasing income, employment opportunities, market access, and increasing skills and knowledge. The criteria for the Likert scale are as follows:

- No impact with a score of 1
- Low impact with a score of 2
- Medium Impact with a score of 3
- High impact with a score of 4

The survey involved 54 people who were populations from three communities (groups) in the provinces of West Java, Central Java, and East Java. These three provinces are the largest areas of BTPN customers. The technique of selecting the respondents for primary data collection was carried out by purposive sampling where the parties who became respondents were chosen with the assumption that they had the competence and capacity to provide information and input by the objectives to be achieved.

This research focused on the Daya program run by BTPN. Since 2009, BTPN has expanded its financing reach to the micro-banking business segment, which serves a wider segment from MSMEs to corporations. In a short time, this bank has succeeded in playing an important role in financial inclusion, has contributed greatly to the problems of the poor, and has received a large number of awards.

3. RESULT

Community-Based Empowerment Model

The implementation of financial inclusion for MSMEs is recognized as having many obstacles. Many previous studies have identified several barriers to access to finance such as collateral barriers, channel barriers, information barriers, product design barriers, price barriers, poor banking infrastructure, reduced levels of technological support, high product costs, lack of appropriate product structure from banks, and financial literacy or inadequate education ([17][18][19][20]). The community approach is used as one of the models used by the BTPN Daya Program in facilitating access to capital and solving problems that occur at MSMEs. The formation of the community (group) is made one of the requirements for MSMEs that do not meet the formal financial requirements such as collateral, financial reports, and other formal requirements in accessing capital. In addition to trying to facilitate access to capital, the Daya Program of BTPN also strengthens the MSME sector through the fostering and empowerment of the business community.

The formed community is an association consisting of several MSME credit recipients of BTPN who have a certain business in their area and all members are women. This community is based on the development of local potentials and the similarity of community goals, and social links that are interwoven because of shared interests, views, and objectives that can be characterized by the type, and form of business, or the availability of business marketing networks, as a locomotive of improvement/business development for its members. The community receives facilities in the form of training and mentoring to achieve the same goal i.e. improving welfare through its business, and in the end, the credit returns can be performed smoothly. Interaction that takes place from time to time in a community will establish a bond between its members. The community is a collection of members who have a sense of belonging, are bound to one another, and believe that the needs of members will be met as long as they are committed to continuing working together [21]. The community is used as a basis for empowerment and assistance in ABCG collaboration.

The results showed that the community approach played an important role in the effectiveness of financial inclusion. Humans have a desire to socialize and become one with their fellow members. Interaction in the life of this community affects one's personality, because (a) there is an exchange of experiences between members (social experiences); (b) there is control over the way members act; and (c) the process becomes a place where social forces connect, develop, experience disorganization and play a role

Academic, Business, Community, and Government (ABCG) Collaboration Model for Community Empowerment

In the framework of inclusive financial systems, three levels are crucial in supporting access to financial services for the community, namely the micro, meso, and macro levels, as shown in Figure 1 [22]. Clients refer to specific groups, particularly those with low income, located at the center of the financial system. The micro level involves providers of financial services, both formal and informal. The meso level encompasses the basic financial infrastructure and service outreach needed to reduce transaction costs, enhance reach, build skills, and promote transparency among financial service providers. Meanwhile, the macro level consists of stakeholders who issue appropriate policies necessary for the sustainable development of microfinance.



Figure 1: An Inclusive Financial System

The ABCG collaboration model in inclusive financial systems emphasizes the roles of each actor at different levels. The client consists of micro, small, and medium enterprises (MSMEs) who are the beneficiaries. At the micro level, there is BTPN Bank as the financial institution. At the meso level, SB-IPB University plays a role, and at the macro level, the government is involved. Each actor plays a specific role in supporting financial access for MSMEs and strengthening their businesses. This collaborative model is based on the theory of Collaborative Intervention [23], which states that financial inclusion should be achieved through collaborative interventions from various stakeholders. The theory emphasizes that joint efforts from multiple stakeholders are necessary to bring the population without access to formal financial services into the financial system.

This ABCG collaboration is initiated by BTPN as the Business (B) actor who realizes that solving the problems of SMEs in accessing formal financial services requires assistance from other parties. Collaboration involves academics (A), government (G), and credit recipients (MSMEs) formed in the community/group (C), and they are not only used as objects but also become subjects in the implementation of the program. This collaboration was called the ABCG collaboration which was integrated with the BTPN Daya Program.

In general, the relationship between each party in the ABCG collaboration is shown in Figure 2. The relationship between BTPN and SB-IPB University was a partnership in the form of cooperation through their respective roles in supporting the Daya program. The nature of the relationship between SB-IPB University and MSMEs (credit recipients) was empowerment where SB-IPB University assisted or mentored within the established community. The government and BTPN provided policy and regulatory signs related to the implementation of financial inclusion especially in providing capital/credit to MSMEs whereas the government facilitated business legality and market access to them.

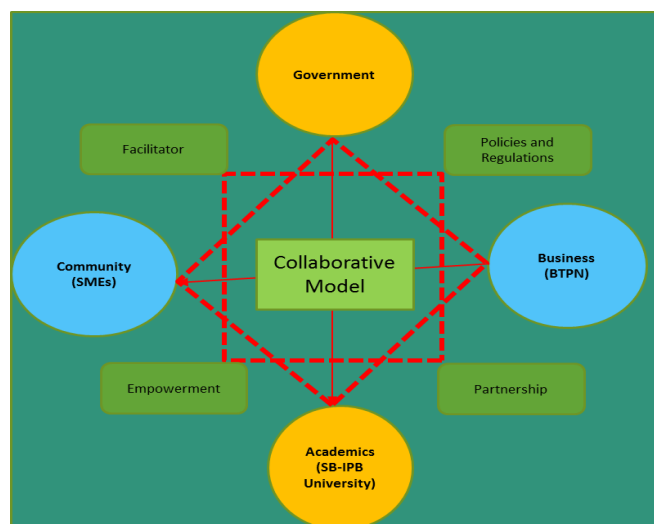


Figure 2: ABCG Collaboration Relationship

The ABCG collaboration concept is carried out by BTPN to achieve its mission as the best mass-market bank. This pattern involves various parties who have an important role in realizing the dream. First, in the beginning, BTPN collaborated with the Business School of IPB University (SB-IPB). This program was mutually beneficial for both parties. SB-IPB has a role in developing assistance curricula and in preparing the MSME mentoring modules. With the results of focus group discussions related to the stakeholders, a curriculum that was divided into 5 MSME assistance modules i.e. the modules of the MSME soft-skills development, operation management, human resource management, marketing management, and financial management was compiled. Each module was translated in the form of training and simple activities according to the characteristics of the MSMEs. For the members who had followed the 5 modules comprehensively, they would receive a certificate from SB-IPB University as well as an appreciation in the form of an award (graduation) attended by the lecturers, BTPN, and MSME actors.

Table 1: Role of Stakeholders in ABCG Collaboration

Academics (SB-IPB University)	Business (BTPN)	Community (Customers)	Government (Local Government)
<ul style="list-style-type: none"> Developing assistance Curriculum 	<ul style="list-style-type: none"> Providing loans to MSMEs 	<ul style="list-style-type: none"> Obtaining loans for business capital 	<ul style="list-style-type: none"> Assisting MSMEs for market access
<ul style="list-style-type: none"> Developing Assistance Modules 	<ul style="list-style-type: none"> Providing funding for research and making of curriculum/modules 	<ul style="list-style-type: none"> Participating in Training and Assistance 	<ul style="list-style-type: none"> Assisting MSMEs in obtaining their business legality
<ul style="list-style-type: none"> Providing Assistance for MSMEs 	<ul style="list-style-type: none"> Offering scholarships for students of IPB University 	<ul style="list-style-type: none"> Developing business together with the facilitators 	<ul style="list-style-type: none"> Assisting MSMEs in accessing cheap credit financing and obtaining capital.
<ul style="list-style-type: none"> Conducting Training and Research 	<ul style="list-style-type: none"> Providing facilities for market access 		
<ul style="list-style-type: none"> Performing Evaluation on Assistance 	<ul style="list-style-type: none"> Providing facilities for the graduation of the customers 		
<ul style="list-style-type: none"> Facilitating Customer graduation 			

In implementing the program, knowledge was transferred to the facilitators both from SB-IPB University (lecturers and students) and from BTPN employees in the activity of training for trainers to assist MSMEs. The facilitators assisted MSMEs according to the curriculum and modules that have been designed. This process is not only for the actualization of the lecturers and students towards classroom learning but also as a good learning tool in getting to know the real business of MSMEs. This program has a positive impact on the students and also on the UMKM that they assist. SB-IPB University also assists BTPN in conducting research related to the process and evaluation of the Daya program which is carried out annually.

Secondly, BTPN itself acts as a business actor. In addition to helping access capital and providing facilitators for MSMEs, the bank also provides financial support for curriculum

development, module preparation, training, and research activities as well as scholarship assistance for SB-IPB students. It also facilitates MSMEs with market access in the form of exhibitions and market access to industries that absorb MSME products. Third, another important actor is the MSME itself. As an element of the community as well as BTPN customers, the members of the MSMEs have the right to obtain business capital assistance, training, and business assistance, as well as business development with facilitators from the students and lecturers of SB-IPB University and from the facilitators of BTPN. The keywords for these MSMEs are that they are active with the facilitators to achieve goals in their community and solve problems that occur in the community. Fourth, the last actor who plays an important role in this collaboration model is the government which plays an important role in helping MSME access markets (exhibitions, exports, networking to large industries), helping them to increase their ability and capacity, in helping them to obtain business legality, certification, access on cheap credit financing, as well as in providing research fundings for the university. The role of each stakeholder involved in ABCG collaboration is shown in Table 1.

In this community empowerment model, the role of the facilitators in the mentoring activities was divided into two: (1) routine group activities carried out once per month, and (2) individual activity i.e. Activities where the facilitators assisted each community member individually not in a routine basis but based on their needs. Routine community activity was conducted only once a month, and this is because the meeting schedule was still highly dependent on the activities of the facilitators or other community organizers. The meeting was usually held at the end of the month, and the duration of the meeting took up to half a day. The activities carried out also varied according to the needs and desires of the members. In the meeting activities, the facilitator usually gave a special role for community members to lead the meeting, and this was carried out so that they could increase their confidence and have great courage in solving their problems together.

The Impact of the ABCG Collaborative Program on Increasing MSME Performance

Community-based ABCG collaboration has a positive impact on MSMEs. The existence of assistance to the community through the collaboration of ABCG has its meaning for each member. The impact of mentoring in this study was seen in 7 aspects: achievement of community goals, business independence, solutions to operational problems, increasing income, employment opportunities, market access, and increasing skills and knowledge. Impacts are seen based on perceptions of MSME recipients of the 7 aspects. Likert scale was used in the category of no impact (1), low impact (2), medium impact (3), and high impact (4). The survey results showed that in general, the assistance program had an impact on 6 aspects as shown in Figure 3.

The survey results showed that the highest impacts were on the aspects of market access, increasing skills and knowledge, and solutions to operational problems. The medium impact category was on achieving goals, business independence, and increasing income whereas the job opportunity was in the category of no impact.

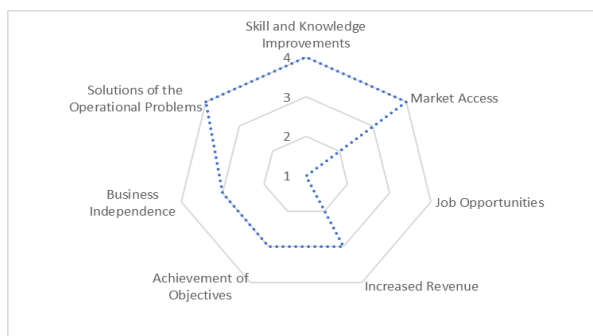


Figure 3: Impact of ABCG Collaboration for MSMEs

Skill and Knowledge Improvements

The facilitators always provide training to the community to improve the skills and knowledge of the members, starting from production, and HR management. financial management to marketing. The survey results showed that after joining the community and participating in various trainings on Daya program activities, they experience an increase in abilities and skills from not being able to being able to do the activities, and even some of them became more skillful. Some members had been unable to do anything in the occupied areas in their community but had a strong motivation to continue learning in the training so that they finally had the skills.

Market Access

The second impact felt by the community members was that they obtained assistance for their market access. The facilitators and local government have assisted them in facilitating their access to the buyers through exhibitions and links to industries related to the MSME product users. In the exhibition, MSMEs can sell products from the community to be marketed through an event both at BTPN and elsewhere. They obtained not only experience but also ability so that their level of confidence in producing goods became higher, they were more confident to speak in public, and their communication skills also increased as well.

Solutions to the Operational Problems

The ability to overcome problems in the communities is different depending on the problems that exist in each community. In general, all the communities surveyed said that the Daya assistance program was able to overcome operational problems included in the high category. The training activities carried out were able to explain the operational problems faced by the community, and such problems included product marketing and financial record issues.

Increased revenue

The assistance program was able to increase income for the community members. Market access provided by the facilitator provided an entrepreneurial spirit to the members so it had a positive impact on increasing their income. In addition, fellow community members could easily share in terms of market networks, insights, and business skills. The community also provides opportunities to increase the diversification of MSME products as a side job to

increase their income. Based on the survey results, the community members were able to pay the loan repayments on time. Some members could reduce their debt to other parties and manage their finances more easily.

Achievement of Objectives

The initial purpose of forming a community is generally to get a loan, but in the course of developing other goals agreed upon by the community members, the objectives are to add insights, knowledge, and skills that have never been obtained and to increase their income. The survey results showed that the objectives of the community were reasonably achieved. This can be seen from what the members obtained when joining the community such as market access, increased insights and skills, and the capacity to overcome the problems that occur in the business they run.

Business Independence

The business independence of the community members was relatively the same i.e. in the medium category. This independence was shown through their economic empowerment i.e. their business activities. The survey results showed that they could run their business management independently and successfully, but for the sale of their products, some community members still depended on market access provided by the facilitators. When viewed from the results of in-depth interviews, the dependence of some community members was still largely due to their low participation in their activities (less active) so many activities were not completely followed, thus receiving fewer training materials.

Job Opportunities

One indicator that is considered important in the success of a community is the availability of employment for the community. This new job opportunity is expected to provide benefits to others and involve more people in the community. The survey results showed that this aspect was still classified as having no impact. This is because the assistance currently available is still focused on improving the business management of community members not on increasing the business scale. This is seen as an important indicator for the future, and it is expected that it can have a positive impact on the community itself and its surroundings.

4. DISCUSSION

The results showed that the ABCG collaboration model had a positive impact on achieving community goals, business independence, solutions to operational problems, increased income, market access, and increased skills and knowledge. However, the results of in-depth interviews obtained showed that some improvements can be done to improve the performances of collaboration and MSMEs in strengthening their financial inclusion. First, in the ABCG collaboration model, the role of the government is still extremely limited. The role of the government can be increased, for example, by issuing policies or regulations that can provide access to MSME products to enter modern markets. This will provide opportunities for MSMEs to increase their production and sales. The government can also help provide assistance such

as production equipment for MSMEs so that they can improve their performance and make their expenditures more efficient in producing their products.

Second, the level of cohesiveness is very important in binding individuals to remain in the group [24]. The results of the focus group discussion of experts found that groups that had high cohesiveness that is believed to last longer than groups that had low cohesivity. Several factors influenced group integration: group size, physical mobility, and effectiveness of communication within the group (Table 2.) Based on the table, in the future, the formation of a community must consider aspects of the social characteristics of group members, group size, group physical mobility, and communication effectiveness. The effectiveness of communication is seen as important in accelerating the achievement of ABCG collaboration goals and the purpose of community formation. For this reason, the effectiveness of communication needs to be improved for all parties.

Third, the facilitators played a major role in the implementation of the Daya Program. Their capacity building must be carried out continuously, especially in facilitating the marketing of products from the community. In this case, it is necessary to conduct a general market mapping of the community products. Knowledge of the best and most up-to-date assistance in the world needs to be introduced to the facilitators to improve MSMEs' performance.

Fourth, the availability of employment and the creation of employment became the indicators of future impact. Therefore, it is considered important to carry out activities that enable the community to achieve these indicators. The communities and members who already have good performance should be given knowledge on increasing the scale of their business and increasing the amount of product produced so that they can provide new jobs for their surrounding community.

Fifth, efforts to accelerate the independence of the community must continue to be carried out by the facilitators. The survey results indicated that the participation of community members determined the independence of the business. The community members who actively participated were generally those who knew and felt the benefits of the assistance activities carried out. They felt the impact of the community assistance process, and this can ultimately increase their independence in running their businesses. These benefits were greatly felt by the members when actively participating in activities in the community. In addition to the increased capacity of each individual, they also felt that their business had developed. These certainly will increase the business and economic empowerment of the community members. Therefore, the facilitators or BTPN should conduct assistance continuously to accelerate the independence of the members of MSMEs

Table 2: Degrees of Group Cohesiveness and Influencing Factors

Influencing Factors	Degrees of Cohesiveness	
	High	Low
Social Characteristics of Group Members	Homogeneous	Heterogeneous
Group Size	Small	Large
Group Physical Mobility (Exit from the Group Environment)	Low	High
Communication Effectiveness	High	Low

Sixth, the indicators of success and the results of this study were mainly the results of the study with a qualitative approach so this conclusion is still limited to the qualitative result. For this reason, it is possible to study using a quantitative approach primarily to examine the relationship between internal and external factors on the level of MSME performance and subsequently examine the relationship between the level of participation and the level of business independence.

In conclusion, this study examined the impact of ABCG collaboration on community-based financial inclusion and MSMEs' performance in Indonesia. The findings revealed that the ABCG collaboration model had a positive influence on achieving community goals, enhancing business independence, finding solutions to operational challenges, increasing income, expanding market access, and fostering skills and knowledge development. However, certain areas for improvement were identified, including the need for increased government involvement in facilitating market access for MSMEs and providing assistance such as production equipment. Continuous capacity building for facilitators, including market mapping and knowledge dissemination, can further enhance MSMEs' performance. By addressing these areas, the ABCG collaboration model can effectively contribute to community-based financial inclusion and bolster the performance of MSMEs in Indonesia.

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