Analysis of Financial Inclusion and Its Impact on Poverty in South Sulawesi Province, Indonesia

Anas Iswanto Anwar[1], Retno Firianti[2], Muh. Agung Ady Mangilep[3]

[1]Faculty of Economic and Busines Hasanuddin University

[2]Faculty of Economic and Busines Hasanuddin University

[3]Faculty of Economic and Busines Hasanuddin University

Abstract - This study aims to determine: (1) Is there an effect of the SMEs market share on poverty, (2) Is there an effect of SMEs credit on poverty, (3) Is there an effect on the SMEs productivity level on poverty, and (4) To find out whether there is an effect on the number of SMEs on poverty. This research was conducted in South Sulawesi Province during the period 2011 to 2020 using secondary data and using multiple regression analysis method with research variables namely; X1 (SMEs market share), X2 SMEs credit, X3 (SMEs productivity), X4 (SMEs number), and Y1 (Poverty level). The results show that: (1) SMEs market share affects to poverty, (2) SMEs credit affects to poverty, (3) SMEs productivity affects to poverty, and 4) SMEs number affects to poverty.

Keywords: - SMEs Market Share, SMEs Credit, SMEs Productivity, Poverty.

INTRODUCTION

Currently, the government intervenes to overcome the problem of poverty, one of which is through fiscal policy, namely government spending to help the community in programs such as the Prosperous Rice and Non-Cash Food Assistance, with this the government tends to be forced to continue to care in society which is of course short term. Therefore, the community needs to be productive and independent so that they do not always depend on government assistance. Micro and small enterprises (SMEs) are then present as a solution for the community to be productive so that they have their own income which can then improve their standard of living.

In South Sulawesi Province, Small and Medium Enterprises (SMEs) have a significant contribution in expanding job opportunities and opening up employment, the formation of gross domestic product (GDP), and providing safety nets, especially for low-income communities to carry out productive economic activities. However, the contribution of the SMEs is not sufficient in encouraging economic growth and increasing people's incomes. Various obstacles and challenges are still faced by SMEs related to the capacity and quality of human resources as well as access to productive resources and markets. SMEs also still need to improve their business resilience in the conditions of the business environment which is characterized by increasingly high business competition and changes in market demand that are influenced by developments in innovation and technology

LITERATURE REVIEW

Poverty

The standard of the Indonesian Central Statistics Agency for measuring poverty is to use the basic needs approach concept. With this approach, poverty is seen as an economic inability to meet basic food and non-food needs as measured from the expenditure side, so the poor are people who have an average monthly per capita expenditure below the poverty line.

For Indonesia, poverty has long been a national problem, which until now has not shown any signs of ending. Based on the results of the National Socio-Economic Survey (Susenas) conducted by BPS, the number of Indonesians living below the poverty line in 2009 was still quite large, namely, around 32.5 million people or approximately 14.2 percent. The condition of people living in poverty generally suffers from malnutrition, poor health, high illiteracy rates, poor environment and lack of access to adequate infrastructure and public services [1].

The theory called "Vicious Circle of Poverty" or in Indonesian translation is called the Theory of the Poverty Vicious Circle. The concept of this theory is about circular causes and effects from things to one another continuously, causing a person to remain in a poor state. This theory explains the causes of poverty in developing countries which are generally newly released from colonialism, the core of this idea is that a developing country remains poor because of low productivity which results in low income so that consumption is low and causes them to be unable to save, unable to save money. forming capital then cannot invest, so to get out of that circle, what must be improved is the main problem, namely low productivity and must be increased, the way is to provide capital to the community so that they can become economic actors.

The Role of SMEs in Poverty Alleviation

SMEs activities are one of the business fields that can develop and be consistent in the national economy. SMEs are a good forum for the creation of productive jobs. SMEs is a labor-intensive business, does not require certain requirements such as the level of education, expertise (skills) of workers, and the use of venture capital is relatively small and the technology used tends to be simple. SMEs still play an important role in improving the Indonesian economy, both in terms of the number of businesses, in terms of job creation, as well as in terms of national economic growth.

At the time of the economic crisis that hit in 1997-1998 where at that time the nation's economy relied on foreign debt and because the Indonesian currency fell, it was followed by a decline in the economy, but the SMEs, which at that time had not received much attention, were able to survive the crisis. The economy that hit by relying on its own strength, this can be seen from the number of post-crisis SMEs actors which continues to grow from year to year [2]. Learning from this experience, it is not wrong if the SMEs sector must receive support and attention from the government as a driver of the nation's economy and its impact on Indonesia's poverty problem. With the large number of workers absorbed, the SMEs sector is able to increase people's income. Thus, SMEs are considered to have a strategic role in reducing unemployment and poverty.

SMEs Production

Production can be defined as a process that creates or adds new value or benefits [3]. Use or benefit implies the ability of goods or services to meet human needs, so production includes all activities to create goods and services [4]. Production in this case includes the production of micro, small and medium enterprises in creating goods and services, of course, cannot be separated from the production factors that have been mentioned.

According to the Ministry of Cooperatives and SMEs, gross domestic product (GDP) is all goods and services produced by a country within a certain period of time (usually one year). According to Sukirno gross domestic product (GDP) is goods and services produced not only by companies owned by residents of that country but by residents of other countries, in other words, national production is created by production factors originating from abroad [5].

SMEs Credit

SMES loans are loans to micro and small business debtors that meet the definition and criteria for micro and small businesses as regulated in Law no. 20 of 2008 concerning SMEs. Based on the law, SMEs are productive businesses that meet business criteria with certain limits on net worth and annual sales results (Bank Indonesia).

The growth of SMEs certainly cannot be separated from capital assistance through SMEs. credit which, based on data from Bank Indonesia, grows every year [6]. For SMEs that have not been established for a long time, the funds obtained from credit are used to increase capital to run business activities, while for SMEs that have been running for a long time, the capital is used to develop the business and expand the market share of the business.

SMEs Market Share

The use of the concept of competitiveness is now starting to be widely applied in the context of measuring the role and performance of micro and small enterprises (SMEs). In Indonesia, SMEs have a significant role in economic growth, in addition to increasing job opportunities and reducing poverty. However, the role of the SMEs is not sufficient to encourage economic growth and increase people's higher incomes. This is because SMEs are still dominated by micro-enterprises that operate informally with low business productivity. The participation and contribution of SMEs in the wider market, such as exports, is also still low. This condition raises the need to map the factors that influence the productivity gap of SMEs and their contribution to the market which may be a reflection of the low level of competitiveness of SMEs in Indonesia.

The Number of SMEs

SMEs activities are one of the business fields that can develop and be consistent in the national economy [7]. SMEs are a good forum for the creation of productive jobs [8]. SMEs is a labor-intensive business, does not require certain requirements such as the level of education, expertise (skills) of workers, and the use of venture capital is relatively small and the technology used tends to be simple. SMEs still play an important role in improving the Indonesian economy, both in terms of the number of businesses, in terms of job creation, as well as in terms of national economic growth, including the regional economy of South Sulawesi province.

Data Types and Sources

The data used in this study is secondary data that is quantitative in the form of numbers. The data in question is time series data for 2011-2020, namely data on the value of SMEs production, SMEs credit distributed, SMEs production value, and the number of SMEs. The data is sourced from the Central Statistics Agency (BPS), Bank Indonesia (BI), the Ministry of Cooperatives and SMEs as well as various websites that provide data related to this research.

Data Analysis Method

In analyzing the magnitude of the influence of the independent variables on the dependent variable, an econometric model is used by regressing the existing variables using the OLS method.

The mathematical function is as follows:

$Y = f(X1, X2, X3, X4)$…………………………….............…………..(1)

Then the above function is transformed into a multiple linear regression model with the following model specifications:

$Y = a + ß1X1 + ß2X2 + ß3X3 + ß4X4 + µ$…………….............….............(2)

Where:

Y   = Poverty

a   = Intercept konstanta

ß1-ß6   = koefisien regresion

X1   = Market Share of SMEs

X2   = Credit of SMEs

X3   = Produktivity of SMEs

X4   = The Number of SMEs

µ   = term of error

RESULTS AND DISCUSSION

The data was processed using the Regression statistical program which is a technique to analyze the causal relationship that occurs in multiple regression if the independent variable affects the dependent variable, namely SMEs market share, SMEs Credit, SMEs Productivity, and the number of SMEs credit to poverty. The results of the analysis can be seen in the table below:

Table 1. Research Variable Estimation Results

Independent Variable	Koef. Reg.	T-Statistic	Sig.
Constant	3.087	1.862	0.112
X1 (Market Share of SMEs)	-2.035	-0.964	0.000
X2 (Credit of SMEs)	-6.029	-0.889	0.000
X3 (Productivity of SMEs)	-3.850	-0.763	0.006
X4 (The Number of SMEs)	-6.605	-0.852	0.001
Dependent Variable = Y (Poverty)			
Significanse at = 0,05; n = 10			
R Square = 0.947			

Based on the results above, it can be concluded that the SMEs market share is significant to poverty in South Sulawesi at an error rate of 5%. The relationship between market share and poverty is negative with a coefficient of -2,035, which means that every SMEs market share increases by 1%, poverty will decrease by 2,03%.

SMEs credit is significant to poverty at an error rate of 5% and the relationship between SMEs credit to poverty is negative with a coefficient of -6,029, which means that every SMEs credit increases by 1%, poverty will decrease by 6,03%. SMEs productivity is

significant to poverty in South Sulawesi at an error rate of 5%. The relationship between SMEs productivity and poverty is negative with a coefficient of -3,850, which means that every 1% SMEs productivity increases, poverty will decrease by 3,85%.

The number of SMEs is significant to poverty at an error rate of 5%. The relationship between the number of SMEs and poverty is negative with a coefficient of -6,605, which means that for every 1% increase in the number of SMEs, poverty will decrease by 6,61%.

The Effect of SMEs Market Share on Poverty

SMEs in South Sulawesi are still facing difficulties in maintaining market share due to competition with products from other countries supported by wider promotions, as well as implementing product standardization. The problem of people's purchasing power also affects products that can be absorbed by the market. People can easily switch to imported products with low price, while local SMEs products with high added value are not rewarded so that the market share gained is very limited.

The Effect of SMEs Credit on Poverty

Based on the results of the data analysis that has been done, it can be concluded that the research hypothesis can be accepted. SMEs credit is significant to poverty, which means that changes that occur in SMEs credit have an impact on poverty [9]. The results showed that the increase in SMEs credit given to SMEs actors could reduce the number of poverty caused by increasing the workforce absorbed by SMEs, so that SMEs lending could be used as a way to reduce poverty in South Sulawesi Province.

The Effect of SMEs Productivity on Poverty

Based on the results of the data analysis that has been done, it can be concluded that the research hypothesis can be accepted. The productivity of SMEs has a significant effect on poverty, which means that the productivity of SMEs has an impact on poverty levels, where the higher the productivity of SMEs, the lower the poverty rate in South Sulawesi Province. Productivity is an important indicator for SMEs performance [10]. The level of productivity is influenced by access to productive resources (capital, raw materials, skilled labor, and technology), access to business assistance, creativity and innovation, capacity to standardize and improve product quality, as well as various problems, including problems related to government policies that are less effective in supporting the development of SMEs, but the products produced by SMEs will not be effective if there is no continuous demand. Regardless of the number of products produced (productivity increases), but the market cannot absorb it, it will be difficult for SMEs to develop. Product quality and price level in the market are also determinants for the continuity of market demand which in turn can encourage output growth of SMEs.

The Effect of the Number of SMEs on Poverty

The growth of SMEs in South Sulawesi Province, which is driven by strengthening SMEs capital, can create jobs and absorb labor. Through the absorption of this workforce, it is able to reduce the number of poverty in South Sulawesi so that what needs to be done is to channel SMES credit to businesses that do not require workers with certain skills because the poor tend not to have the capacity that can be used as a selling point in their work so that the government also can play a role in coaching and training skills for the poor in order to equip them so that they can be absorbed by SMEs.

CONCLUSION

The SMEs Market Share in South Sulawesi Province has a negative effect on poverty during the observation period from 2011 to 2020. This means that the increase in SMEs Market Share has an impact on reducing poverty in South Sulawesi. This indicates that the SMEs market share can be used as an instrument in reducing poverty in South Sulawesi. SMEs credit in South Sulawesi Province has an effect on poverty during the observation period from 2011 to 2020. This means that an increase in SMEs credit has an impact on poverty reduction, this indicates that SMEs credit cannot be used as an instrument in reducing poverty in South Sulawesi. The productivity of SMEs in South Sulawesi Province has an effect on poverty during the observation period from 2011 to 2020. This means that increasing SMEs productivity has an impact on reducing poverty, this indicates that SMEs productivity can be used as an instrument in reducing poverty in South Sulawesi. The number of SMEs in South Sulawesi Province has a negative effect on poverty during the observation period from 2011 to 2020. This means that an increase in the number of SMEs has an impact on reducing poverty in South Sulawesi. This indicates that the number of SMES can be used as an instrument in reducing poverty in South Sulawesi.

Recommendation

Efforts Policies and programs to increase the competitiveness of SMEs in South Sulawesi Province need to be focused on strengthening the quality of SMEs products accompanied by broad market access because these two factors will determine the SMEs market share, which is the most important SMEs competitiveness factor. Policies to strengthen the quality of SMEs products also need to be complemented by improvement in SMEs orientation to consumers and access to productive resources in

order to increase production sustainability and output growth. Policies to increase the competitiveness of SMEs in South Sulawesi Province need to take into account the various characteristics, needs and levels of development of SMEs. Attention is also not only focused on strengthening and providing development opportunities for micro and small businesses that currently play a major role in meeting public demand, but also for medium-sized businesses to be able to win the competition, especially with the increasing inflow of imported products. Policies for developing the competitiveness of SMEs can also be linked to tourism development considering the positive impact of tourism progress on increasing market demand.

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