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Evaluation of National Financial Inclusion Strategies in Non-Profit Institution : SME Center UI

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Abstract

This study analyzes the factors and the level of success of the national financial inclusion strategy implemented by non-profit institution SME Center UI or SMEC (Small Medium Enterprises Centre, Universitas Indonesia) using the perceptions of the assisted MSMEs (Mikro Small Medium Enterprises). This research was conducted in 2018 using a quantitative survey with a questionnaire as a data collection method. A sample of 73 respondents came from MSMEs assisted by SMEC, which selects by purposive sampling. The questions in the questionnaire are arranged based on the services provided by SMEC to its MSMEs. Factor analysis uses to identify the factors of the national financial inclusion strategy implemented by SMEC. Then the results will be calculated using a composite index to see the level of success of the national financial inclusion strategy. NFISPI in the moderate category, with a score of 76.37%. The success of financial inclusion strategy depend on kinship and cooperation, financial education, financial responsibility, welfare support, central regulation, benefits of access to finance, and wisdom financial leadership. There needs to be more for SMEC in realizing the goals of NFIS, which see from the gap in access to finance between male entrepreneurs (58%) and women (42%). Empirical results have proven that kinship and cooperative strategies are important factors in the success of financial inclusion for MSMEs. Collaboration between the education sector and the ministry of cooperatives and SMEs is needed to strengthen MSME businesses through kinship and mutual assistance.

Key words : National financial inclusion strategy, MSMEs, Empowerment, Factor Analysis, SME Center.

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INTRODUCTION

The existence of MSMEs in crisis conditions has improved the Indonesian economy, especially employment. During the monetary crisis that hit Indonesia, MSMEs had stronger economic resilience than large-scale companies. The contribution of MSMEs to the Indonesian economy from year to year shows a positive trend. That shows the contribution of MSMEs to the national GDP in 2018, which reached 60.34% from the previous year of 57.

08%. A considerable contribution to the GDP of MSMEs comes from micro-enterprises, 38.90 %, the remaining 9.73% from small enterprises, and 13.95% from medium enterprises. However, MSMEs also accounted for more than 97% of employment in the last five years (Ministry of Cooperatives and SMEs, 2019). Seeing the significant contribution of MSMEs to the Indonesian economy, the government also supports its business development. In this case, through the financial inclusion program, the government seeks to provide easy access to capital for MSMEs to develop their businesses (Beck et al., 2005). Financial inclusion has become the leading choice for global economic governance after the 2008 global financial crisis. Financial inclusion is important because the group most affected by the global financial crisis is the "unbanked." The groups in question include the low-income poor, the productive poor/ poor, and the near-poor, including migrant workers, women, and residents of disadvantaged areas (Indonesian Central bank, 2014). In this case, MSMEs include the working poor/ productive poor group.

Global findex database data (The World Bank Group, 2018a) shows that the number of adults in Indonesia who have accounts at financial institutions is 48.4%. This number is still far below the proportion of adults in the East Asia and Pacific region of 70.6% and lower than Malaysia (85.1%), Mongolia (93%), Thailand (81%), and China (80.2%). Furthermore, Hanivan & Nasrudin (2019) stated that based on the database, there are eight reasons why Indonesians do not have financial accounts. The main reason is that their funds are insufficient (72%), and 33% consider the location of financial institutions unreachable. Data on Indonesia's financial exclusion rate in 2017 was still 51% higher than Thailand (18%), Malaysia (15%), and Brunei Darussalam (14%). Kameshnee & Christiaan (2020) supporting the reason for the low number of adults with financial accounts.

The Indonesian government targets an increase in financial inclusion in 2019 to 75% from 67.8% in 2016 (OJK, 2021). The national financial inclusion strategy must be applied inclusively to all institutions, both financial and non-financial. Globally in the AFI forum, as of May 2018, of the 66 commitments made in the Maya declaration, 42 commitments focus on formulating and implementing a national financial inclusion strategy. It reinforces by assessing respondents who joined AFI in 2012, which stated that 97% of respondents conside-red a national financial inclusion strategy essential in accelerating financial inclusion (AFI, 2018). In other words, the strategy can be successful depending on a deep understanding of the problems faced by the working poor or MSMEs. The low level of financial inclusion in Indonesia shows that the problems faced by MSMEs are not only financial but also non-financial.

MSMEs have difficulty accessing financing because they do not have assets that can pledge as collateral. They do not only need capital or money to develop their business. MSMEs need knowledge, skills, and expertise to manage their business financially and non-financially. This non-financial side deals with financial management, production, human resources, marketing, and business management. Even though they have easy access to finance, the risk of default for MSMEs will be high without sound financial management knowledge. Failure to manage a business is detrimental to MSMEs, and the lending institutions are also directly affected.

The success of financial inclusion determines by the effectiveness of the strategies used in overcoming financial barriers (loan interest rates) and removing non-financial barriers. So far, research on financial inclusion has mainly discussed financial barriers as a cause of financial exclusion, such as research (Fadun, 2014) on financial services strategies in implementing financial inclusion in Nigeria (Shafi & Medabesh, 2012), and (Deb & Agrawal, 2017) explained the importance of m-banking technology in supporting financial inclusion programs. Financial inclusion in developing countries is still low, such as in northeastern India (Bhanot et al., 2012) and Indonesia (Tama, 2015).

Shafi & Medabesh (2012) explained in their research in India that the development of the digital technology era has facilitated financial access by some people who live in urban areas. Meanwhile, most citizens in India still have difficulty accessing finance (exclusive finance), such as in the Jammu and Kashmir regions. The main financial barrier for SMEs is capital as a business driver (Ayyagari et al., 2003; Tybout, 2000; Klapper et al., 2006; Beck et al., 2007; Banerjee et al., 2014; and Rauch, 1991).

The government's efforts to implement a financial inclusion strategy first started in 2012 to 2014 (Coordinating Minister for the Economy of the RI, 2021). The implementation of NFIS (National Financial Inclusion Strategy) requires synergy between relevant agencies to increase the percentage of the adult population accessed by formal financial institutions. To that end, the Indonesian government issued presidential regulation number 114 of 2020 as a guide for 24 members of state institutions (including the ministries of education and culture) in setting sectoral policies related to NFIS (President of the RI, 2020). Efforts to increase the financial inclusion index for the MSME target group direct access to use, namely increasing the percentage of MSME credit/ financing to total credit at formal financial institutions. These improvement efforts require the involvement of all government agencies, both financial and non-financial institutions. Each agency ministry launched various programs to achieve the financial inclusion target of 75% in 2019, one of which is the MSME loan distribution program managed by the coordinating ministry for the economy (KUR/ People's Business Credit Program), the ministry of cooperatives and MSMEs (financing and development). Savings and loans, MSME loans), and the Ministry of SOEs (allocation of profits for CSR (Corporate Social Responsibility). The program includes the effort to overcome financial barriers for MSMEs. Meanwhile, the financial education program from the Ministry of National Education, and the ICT (Information and Communication Technology) program for MSMEs from the Ministry of Communication and Information, aim to overcome non-financial barriers (Widianto, 2012).

The non-financial component cannot be fulfilled directly by banks and financial institutions because the main task of these institutions is limited to providing easy access to finance, including low-interest rates, availability, and ease of reach of financial services. Therefore, financial inclusion programs require the role of the community or other institutions in helping to overcome non-financial barriers. The critical role of non-financial institutions such as universities is crucial in connecting the distance between financial institutions and the unbanked community. In this case, the SME center under the Faculty of Economics and Business, Universitas Indonesia (SMEC) plays a role in helping to overcome price and non-price barriers. SMEC acts as an intermediary between the business world and MSMEs, providing easy access to business loans. Meanwhile, to overcome non-price barriers, SMEC conducts training, mentoring, coaching, and empowerment for the SMEs it fosters. What SMEC is doing is one of the characteristics of the development pattern with the quadruple helix concept, namely the collaboration between academia, business, government, and the community in development (Galvão, et al., 2017). Setyanti (2017) and Garri (2015) states that industry can increase innova-tion and stated that the industry could increase innovation and creativity by applying the quadruple helix concept. This concept can be applied to achieve other development goals that require the involvement of academia, business, and government.

SMEC has been part of the financial inclusion strategy since 2005 until now. The financial inclusion program implemented by SOEs follows the SOE Regulation No. PER-02/MBU/04/2020 (The Minister of SOEs of the RI, 2020) called the Partnership and Community Development Program (PCDP). The role of SMEC in the PCDP program is as a facilitator responsible for connecting the capital needs of MSME with credit providers (SOEs) to foster and empower MSME. SMEC's efforts to overcome non-financial barriers are manifested in training programs, "*Bedah UKM*" (Knowledge Sharing Activities), incubation clinics, and the empowerment of SMEs to achieve business independence. The partnership strategy between SMEC and SOE (State-Owned Enterprises) has been going on for 12 years. However, until now, there has not been an empirical evaluation regarding whether the financial inclusion strategy with a partnership pattern involving educational institutions has successfully provided easy access to finance for MSMEs. In addition, does the function of SMEC as a companion also provide non-financial benefits that are an obstacle for SMEs?

It is rare for previous studies to discuss financial inclusion strategies in educational institutions. Most are macro, such as (Alnabulsi & Salameh, 2021) who examines the impact of financial inclusion strategies on economic development in Jordan. The study used a questionnaire to obtain ratings from 286 bank directors in Jordan. As a result, 11 financial inclusion strategies impact economic development. On the one hand, it impacts supporting development, such as the availability of ATMs and financial services, providing easy access and financial security. However, financial inclusion strategies also become obstacles related to providing large amounts of guarantees for customers, the cost of banking services, and ignorance of banking services due to financial illiteracy. Another research conducted by the World Bank (The World Bank, 2012) explains that there are six characteristics of a financial inclusion strategy: inventory, goals and objectives, strategy develo-pment or revision, public sector actions (policy and financial infrastructure), private sector acti-ons, and private sector actions and progress monitoring. The World Bank describes a finan-cial inclusion strategy (either carried out indep-endently or as part of a broad financial sector development strategy), prioritizing reforms and actions at the country level. The targets include; small and medium enterprise (SME) finance, rural finance, or Education finance. The results of this study directly indicate the need for fina-ncial inclusion strategies to overcome financial barriers for the productive poor (SMEs) and non-financial (financial education). He further explained that financial inclusion strategies could catalyze increased financial inc-lusion for households and companies through a coordinated framework of various parties (public sector, financial and non-financial institutions, as well as other stakeholders. In the end, this study aims to evaluate the inclusion strategy). The financial services run by SMEC achieve ease of access through the assessment of the MSME fostered by SMEC. The assessment of the MSME is critical to measuring the level of success of the partnership strategy.

A national financial inclusion strategy's success could measure by its underlying dimensions or pillars. According to the Ministry of Development of Access to Finance and MSMEs, indonesian central bank in 2014 (Indonesian central bank, 2014) contained six pillars of a financial inclusion strategy: financial education, public financial facilities, financial information mapping, supporting policies/ regulations, intermediation & distribution facilities, and consumer protection. Furthermore, in 2020, based on Presidential Regulation of the Republic of Indonesia Number 114 of 2020 (President of the RI, 2020), it was stated that there are five pillars and foundations of NFIS, namely; financial education, community property rights, intermediation & distribution facilities, financial services in the government sector, and consumer protection.

The difference in the foundations or pillars of the NFIS according to the financial inclusion target of 36% in 2014 becomes 75% in 2019. View of (Samputra, 2012) states that a national financial inclusion strategy is built based on seven pillars: financial education, financial service satisfaction (benefit), financial responsibility, wisdom financial leadership, regulatory center, welfare support and path of glory. There is a common need for the pillars of financial education and policy/regulation between the three views. The consumer protection and intermediation facilities described in the 2014 NFIS and 2020 Presidential Regulations have the same objectives as the financial responsibility pillar described by (Samputra, 2012). Furthermore, Samputra views that the national strategy of financial inclusion must ultimately be able to support the welfare of the unbanked or unfinished community. Implementing the seven pillars of Samputra is more suitable to be applied at the micro level, especially for non-bank institutions.

METHOD

The research method uses a quantitative approach with support of a qualitative approach in the first stage. Respondents in this study were MSMEs assisted by SMEC. With specifications for MSMEs that have received or are currently receiving business loans through the PCDP (Partnerships and Community Development Program). The rese-arch locations cover the MSMEs business area in the Greater Jakarta area (Jakarta-Depok-Bekasi). Then data was collected in 2018. Of the total 274 assisted MSMEs, only 73 MSMEs are still active in business and have received loans from the PKBL program. The rest have closed and moved to difficult-to-reach locations and are no longer active in fostering SMEC. In addition, the number of respondents 73 has met the minimum standard for the number of samples referring to quote sampling with an error rate of 10%.

The stages of data analysis divide into three stages (Figure 1). The first stage is to make a questionnaire as a research instrument. The statement in the questionnaire base on the activities carried out by SMEC in carrying out its function as a financial intermediary for SOE and in fostering MSME. Qualitative research methods with interview techniques to representatives of SMEC management to understand the ongoing financial inclusion strategy process. Then, the researcher also conducted interviews with one of the MSME actors who succeeded in developing their business. The goal is to ensure information from the management and MSMEs as members of the assisted groups regarding the types of inclusive financial services currently running. Financial inclusion strategy with this partnership model is unique and has never existed in previous research. In particular, the aspect of financial access and the assisted MSMEs also get non-financial access.

There are 27 statements in the questionnaire that represent the experience of MSMEs while being fostered and receiving PCDP loan capital through SMEC. The measurement scale ranges from 1 to 10, meaning that the closer to 10, MSMEs assess the more accessible access to financing obtained through SMEC. Statements related to experience in loan regulation, financial literacy, monthly routine discussion forum activities, consulting clinics, coaching, and training.

Table 1. SMEC activities in providing financial and non-financial services to fostered MSMEs

Financial Access	Description	Statements in the Questionnaire
➢ **Business Loan Regulations from Partners**	Provide an understanding of PCDP loan procedures, loan terms, principal and interest installments, as well as maturity rules and policies.	➢ Ease of getting loan funds as needed ➢ Smooth business from loan capital obtained ➢ Ease of meeting household needs from business results ➢ Easy payment of loan installments ➢ Able to assess whether MSMEs are eligible or not getting a loan ➢ PT. X’s policy in giving time for late loan payments ➢ PT X's wisdom towards MSMEs who are unable to pay their installments. ➢ Business credit loan application requirements ➢ Requirements to become a member of fostered MSMEs ➢ Procedures and length of time for loan disbursement
➢ **Financial Education/ Literacy**	Provide an understanding of financial products; savings, business loans, consumer loans and other asset products	➢ Explain the role of SMEC as PT X”s credit distribution partner ➢ Teach types of financial products other than business loans ➢ Provide an understanding of knowledge about risks in business ➢ Explain knowledge about financial management
Non-Financial Access		
➢ **Activities “*Bedah UKM*” (Montly Regular Seminar)**	Discussion forums between business actors to teach and share experiences, information, and knowledge about business.	➢ Discussion facilities between successful fostered MSMEs and the new ones ➢ Facilities for MSMEs give each other input on the problems they face ➢ A means of sharing knowledge among members of the assisted MSMEs
➢ **SME Business Guidance & Assistance**	Provide personal and intensive consultation to the assisted MSMEs with experts in their fields. Related to business problems, business and non-business difficulties encountered.	➢ Funding facilities for MSMEs with urgent needs ➢ Counseling on fair and reasonable business competition ➢ Guidance to improve managerial skills ➢ A guide to the importance of maintaining and choosing quality raw materials ➢ Provide direction to maintain

		relationships both internally and externally to the company ➢ Providing assistance for MSMEs who are experiencing business activity problems
➢ **SME Training**	Business management training, business technical skills related to the development of soft skills and hard skills	➢ Teach how to make financial reports ➢ Provide a place for product development training ➢ Teach the importance of internet for business development

Source: Constructed by Author from interviews

Validity and reliability tests carry out before data processing, which served to test the validity and reliability of the statements on the questionnaire. The validity test uses the corrected item-total correlation, the same as the Product moment correlation, which measures the level of alignment between the statement items and the overall scale score. If the correlation value between the statement items and the overall scale score is greater than the r-table (N = 73, df = 71, significant level (0.01), the r-table value = 0.2997), then the statement item is valid. Reliability measures measurement instruments' consistency, precision, repeatability, and trustworthiness (Chakrabartty, 2013). Alpha test values above 0.7 are considered acceptable and satisfactory, above 0.8 are considered good enough, and above 0.9 are considered very consistent (Cronbach, 1951).

The next stage is to identify the factors formed from the national financial inclusion strategy implementation by SMEC. To determine the number and characteristics of the factors, researchers used EFA (Exploratory Factor Analysis). Because the preparation of the questionnaire statement comes purely from the conditions that occur in the field, the EFA analysis treats all statement items independently—not categorized in dimensions according to theoretical references. If the questionnaire is made based on a robust theoretical basis, then the CFA (Confirmatory Factor Analysis) analysis is used (del Río-Rama et al, 2020).

Second stage, The first test of the EFA (Exploratory Factor Analysis) is the Barlett test, which aims to test the correlation matrix, not the identity matrix. Furthermore, the KMO (Kaiser-Meyer-Olkin) test intends to measure the adequacy of sampling or data. The KMO value expects to be large because the smaller the KMO value indicates insufficient data. The second stage, the MSA test, was also conducted to measure the intercorrelation between variables. Then factor extraction, factor rotation to factor interpretation. The formation of the main factor is indicated by the eigenvalue ≥1 (Hair et al, 2010). Here is the equation for factor analysis in matrix notation: $X_{(px1)} - \mu = L_{(pxm)}F_{(mx1)} + \varepsilon_p$, then the factor equation: $F_j = b_{ji} X_{s1} + b_{j2}X_{s2} + \cdots + b_{jk} X_{sk}$.

Factor analysis formulates in the linear equation model where X is the original observed vector variable depending on the unobserved random variables $F_1, F_2, \ldots F_m$, which are called the common vector factor (common factor). μ svector means of the original variable, L matrix loading factor, p component, m number of common factors, and ε_p specific vector factor or errors. b_{ji} shows the coefficient score of the *j-th* factor score and the standardized *k-th* X_{sk} variable. The index of perception of financial inclusion strategy by MSMEs adopts a composite index measurement.

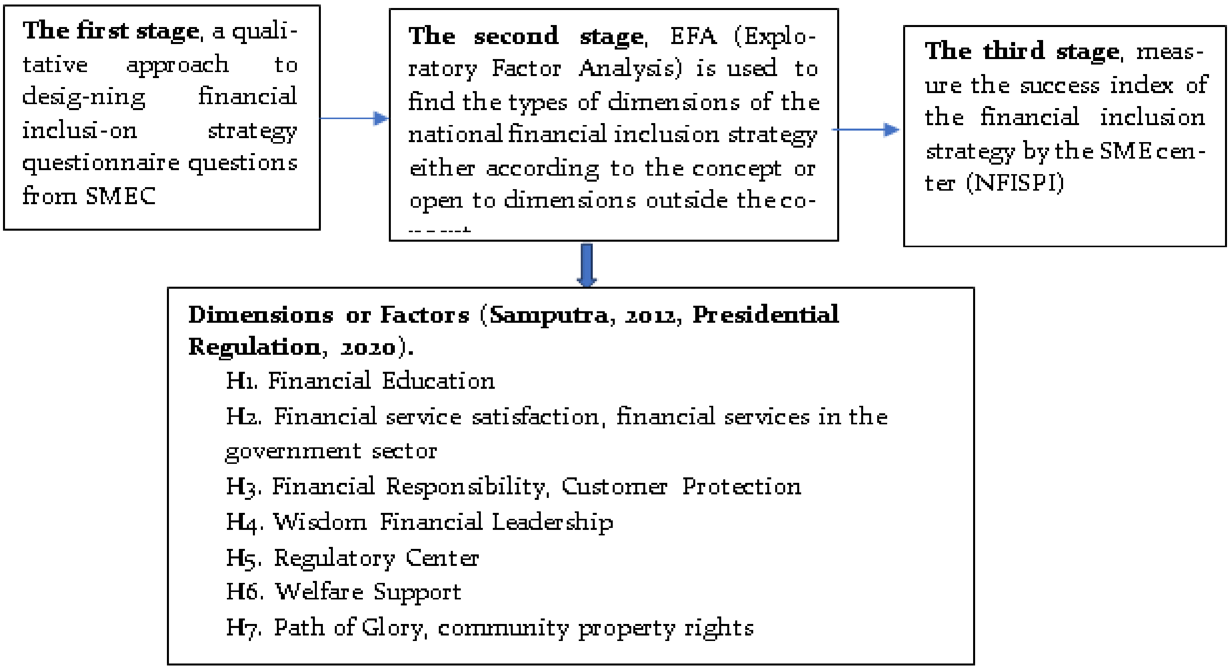

Figure 1. Operational Framework

Third stage, before calculating the index value, the factor value is standardized first. That is important because negative factor scores cannot use in index scoring (index values range from zero to 100). The calculation of the standard value of the factor score follows the following formula;

$$f_i = \frac{[Score\ of\ Fi - Min(Score\ of\ Fi)]}{[Max(Score\ of\ Fi) - Min(Score\ of\ Fi)]} \quad (1)$$

Where *fi* is the standardized value of the *i*-th factor score; *Score of Fi* is the value of the factor score of the -*i*; *Min(Score of Fi)* is the minimum value of the factor score of the-*i*; *Max(Score of Fi)* is the maximum value of the factor score of the-i.

After the standardized factor scores, then the calculation of the perception index of national financial inclusion strategy by the assisted MSMEs is carried out, as follows:

$$NFISPI = \frac{\sum_{i=1}^{k} f_i v_i}{\sum_{i=1}^{k} v_i} \quad (2)$$

Where *NFISPI* is the index of national financial inclusion strategy perceptions based on the MSMEs assessment; *fi* is the standardized value of the *i*-th factor score; *vi* is the magnitude of the proportion of the variance of each factor (weight).

RESULTS AND DISCUSSION

PT. X is one of the SOE partners of the SME center used in this study. PT. X implements the PCDP program in the form of MSME business capital loans originating from its CSR funds. PCDP program aims to empower small businesses and improve social conditions through environmental development programs (PT Antam Tbk, 2019). The empowerment program aims to provide business capital with small installment returns to micro and small entrepreneurs. PT X uses an inclusive financial strategy by increasing access to new entrepreneurs around its operational areas. Furthermore, the mechanism for eliminating uncollectible and problematic receivables and a policy to reduce the number of loan administration services to facilitate installments for fostered partners. The results of X's PCDP 2019 show that the effectiveness of the distribution of partnership funds has increased from 86.56% in 2012 to 93.33% in 2019 (PT Antam Tbk, 2019). These results indicate an increase in the quality of PCDP implementation in the distribution of business loans that is more targeted and positively impacts the welfare of micro and small businesses. There is a role for other institutions in supporting the PCDP program in facilitating financial access for MSMEs. One of PT X's partners in the process of distributing loan funds is SMEC. This institution, located at the Faculty of Economics and Business, University of Indonesia, is involved in providing solutions to sustainable development problems. Especially those related to empowering MSMEs and entrepreneurial development. The task of SMEC as a partner of PT. X provides business assistance and mediates the distribution of microcredit in the form of an assessment of the selection of potential fund recipients. Also, evaluation and monitoring to upgrade the MSME class from unbankable to bankable.

SMEC guides MSMEs related to consultation and training (Soesilo, 2006). The training activities include MSME discussion "Bedah UKM", packaged in the form of workshops and talk shows to share tips and problems for MSME, and a series of mini-workshops in the form of small groups held regularly (twice a month). SMEC also provides structured training for small and micro-entrepreneurs. In the concept of state and business plans, financial management, production management, human resource management, marketing management, and business legalization. Training also conducts in the form of visits to successful small entrepreneurs and capacity building. The success of the financial inclusion process carried out by SMEC can be seen from the PCDP funds that successfully distribute, reaching 8.4 billion (Ukmc-feb ui, 2019).

MSMEs owners are 58% male and 42% female. Men dominate because they know finances (ukmc-feb ui, 2019) and as the household head. The results of this research are by Global Findex 2021 data which states that in developing countries, men have more financial access (have accounts) 74% compared to women only 68% (Demirgüç-Kunt et al, 2022). Further, the world bank group, in its report on global indicator brief no 16, explains the regions that prioritize women in their national financial inclusion strategies, including south Asia (5 out of 6 women), sub-Saharan Africa (19 out of 20 women), east Asia and the Pacific (8 of 8). Even in the Asia Pacific region, this includes prioritizing financial inclusion for women. However, Indonesia is outside the countries prioritizing financial inclusion for women (Bin-Humam et al, 2023).

The survey results showed that 60% of MSMEs stated that the initial motivation to open a business was to meet family needs. Only 10% argued that they were motivated to want to open jobs for others. The remaining 19% had the motivation to meet family needs and create jobs for others. Most of the MSMEs have food business as much as 34%. Services ranks second of the chosen companies by MSMEs, with 21%. The types of companies included in the services include sewing, tutoring, rental, photocopying, etc. Also, this type of retail business is in great demand by MSMEs, which is 15%. The rest is in the form of fashion, accessories, drinks, and other forms of business.

The survey results showed that 62% of MSMEs' total assets in the past year ranged from IDR 10 million to IDR 50 million. MSMEs with assets of less than IDR 10 million is only around 14%. There are 10% of MSMEs that have successfully owned assets above IDR 100 million. This condition indicates that there is progress financially from the results of the MSMEs business. The amount of assets owned proves an increase in business scale.

Table 2. Profile of MSMEs

Key Characteristic MSMEs	Type	Unit
Gender Owner	Male	58%
	Female	42%
Types of Business Male	Food	34%
	Services	21%
	Retail	15%
	Fashion	12%
Types of Business Female	Accessories	10%
	Bevarage	5%
	Others	3%
Business Management		
Finance	**Loans (IDR)**	
	< 10 million	41%
	11-25 million	26%
	25-50	21%
	50-100	11%
	>100 million	41%
	Assets (IDR)	
	<10 million	14%
	10-50 million	62%
	50-100 million	11%
	>100 million	10%
Marketing	**Media Promotion**	
	Worth of Mouth	69%
	Social-Media	4%
	Traditional	11%
	Combination	16%
Transaction System	Cash	68%
	Transfer	7%
	Combination	25%
Production	**Capability (per month)**	
	Minimum	30 unit
	Maximum	20.000 unit
	Sale	
	Minimum	25 unit
	Maximum	20.000 unit
	Average	1452 unit

Source : Calculation from survey

In the marketing management, 67% of MSMEs prefer word of mouth promotion. However, 16% of MSMEs had combined the means of advertising by word of mouth and social media (WhatsApp, Instagram, and e-commerce). MSMEs still rely on traditional means of promotion through stalls or shops to display their products to attract buyers. Only

4% of MSMEs use online media marketing. In the adoption of technology, 68% of MSMEs still use cash transactions. Only 25% have used a combination transaction method (cash and transfer). Although the percentage of online transaction users does not dominate, this is sufficient to explain financial inclusion in the financial system. Educational background also supports the skills of MSMEs in using technology. Most of the MSMEs owners have a high school education, as much as 59%, the remaining 9% have a junior high school education, and 3% have elementary school education. Besides, 29% of MSMEs owners prefer informal education, such as courses or other skills.

Other surveys show 68% of MSMEs have fewer than five people, which means most MSMEs businesses still classify as micro-scale. Only 14% of MSMEs can employ 5 to 10 workers, and 14% have a workforce of more than ten people. It turns out that every MSMEs does not receive the same amount of loan funds. Some received loans of less than IDR 10 million to more than IDR 100 million. 41% of MSMEs received loans of less than IDR 10 million. 26% received loan funds of between IDR 11 million to IDR 25 million, and the remaining 11% get a loan of between IDR 50 million to IDR 100 million. Only 1% of the total respondents received loan funds of more than IDR 100 million.

Test the validity and reliability of each question item is carried out first before the factor analysis process. Latent variables cannot be measured directly, it requires a valid and reliable measure of each question item. The results of the validity test using the corrected item-total correlation showed that all questions were proven accurate. The r-test value shows it between 0.424 to 0.754, which is greater than the r-table with 0,01 signif rate (0.2977). The Reliability test using Cronbach's Alpha value of all the questions is 0,928. This result means that all questions are proven to have a very high level of consistency. After the measuring instrument is proven valid and reliable, the next step is to ascertain whether the data collected is sufficient for factor analysis with the KMO-Bartlett's test. The statistical results show that the KMO-MSA value is 0.853, which is greater than the standard data adequacy value of 0.7. Bartlett's test results are significant at the 1% real level (chi-square value 1972.787), which explains a correlation between variables, and it is feasible to proceed to the next process. Then the anti-image correlation-MSA test is carried out to ensure that there is a variable relationship. The results of the diagonal correlation matrix show between 0.771 to 0.924. Then there is a close and significant relationship between the observed variables.

The results of factor analysis show that seven factors influence the success of the financial inclusion program based on empowerment model by SMEC, following the requirements of eigenvalue > 1. The first factor has an eigenvalue of 10,491, and the second factor is 3,493, the third factor is 2.878, the fourth factor is 1.752, the fifth factor is 1.451, the sixth factor is 1.258, and the last factor is 1.053. The eigenvalues also explain the relative importance of each factor in calculating the analyzed variables. Of the 26 analyzed variables, seven factors were successfully extracted with a total variance (40.350% + 13.433% + 11.068% + 6.739% + 5.580 % + 4.838% + 4.051% = 86.059.

Table 3. Exploratory Factor Analysis Results: Dimensions of National Strategic Financial Inclusion

Dimension of National Strategic Financial Inclusion	Initial Eigen values	% of Variance	Loading Factor
Kinship and Cooperation	10.491	40.350	
X1. Discussion facilities between successful fostered MSMEs and the new ones			0.964
X2. Funding facilities for MSMEs with urgent needs			0.954
X3. Facilities for MSMEs give each other input on the problems they face			0.960
X4. A means of sharing knowledge among members of the assisted MSMEs			0.949
Welfare Support	3.493	13.433	
X5. Counseling on fair and reasonable business competition			0.938
X6. Guidance to improve managerial skills			0.903
X7. A guide to the importance of maintaining and choosing quality raw materials			0.902
X8. Provide direction to maintain relationships both internally and externally to the company			0.908
Benefits of Access to Finance	2.878	11.068	
X9. Ease of getting loan funds as needed			0.831
X10. Smooth business from loan capital obtained			0.831
X11. Ease of meeting household needs from business results			0.825
X12. Easy payment of loan installments			0.737
Financial Responsibility			
X13. Teach how to make financial reports			0.817
X14. Provide a place for product development training			0.855
X15. Teach the importance of internet for business development			0.809
X16. Providing assistance for MSMEs who are experiencing business activity problems			0.753
Financial Education	1.451	5.580	
X17. Explain the role of SMEC as PT X's credit distribution partner			0.655
X18. Teach types of financial products other than business loans			0.873
X19. Provide an understanding of knowledge about risks in business			0.735
X20. Explain knowledge about financial management			0.766
Financial Leadership Policies	1.258	4.838	
X21. Able to assess whether MSMEs are eligible or not getting a loan			0.837
X22. PT. X's policy in giving time for late loan payments			0.825
X23. PT X's wisdom towards MSMEs who are unable to pay their installments.			0.793
Central Regulation	1.053	4.051	
X24. Business credit loan application requirements			0.808

X25. Requirements to become a member of fostered MSMEs	0.819
X26. Procedures and length of time for loan disbursement	0.555

Source: the results processes from SPSS. 23

This first factor contributes the most to the success of financial inclusion through the partnership program by 40.350%. Four indicators explain the first factor, among others; partners (SMEC) in facilitating discussion activities between successfully assisted MSMEs and new fostered MSMEs, facilities for fostered MSMEs to provide input on problems faced, and a means of sharing knowledge among members of the fostered MSMEs. These three activities include the “Bedah UKM” (Knowledge Sharing Activities) activity which is the hallmark of SMEC. The fourth indicator, facilitating funding for MSMEs with urgent needs, the indicator "facilitating discussion activities between successful MSMEs and newly fostered MSMEs," is the indicator that is most able to explain the first factor because it has the highest loading factor value of 0.964. The four indicators show characteristics that lead to the "kinship and cooperation" factor. This factor is a new finding that influences the success of the financial inclusion strategy, especially for MSMEs. In the future, kinship and cooperation factors must be considered essential pillars of the national financial inclusion strategy.

The second factor is explained by four indicators: counseling on fair and healthy business competition, guidance on improving managerial skills, guidance on the importance of maintaining and selecting quality raw materials, and providing direction for maintaining internal and external relationships with the company. Of the four indicators, "extension on fair and healthy business competition" is the indicator that is most able to explain the second factor with the highest loading factor value of 0.938. This second factor calls "welfare support" refers to (Samputra, 2012). These four indicators show the characteristics of SMEC to support the business continuity of MSMEs to improve their welfare. The third factor consists of four indicators: the ease of obtaining loan funds as needed, the smooth running of the business from the loan capital obtained, the ease of meeting household needs from the business results, the ease of paying loan installments. Of the four indicators, "the ease of obtaining loan funds as needed" and "current business from obtained loan capital" is the dominant indicators that explain the third factor with a loading factor value of 0.831. This third factor is called the "benefit of financial access" that MSMEs get from the empowerment program. In Samputra's view (2012), it is referred to as financial service satisfaction, whereas MSMEs satisfaction is due to financial benefits from SMEC services.

The fourth factor of extraction using the PCA method shows that there are four indicators of the role of SMEC, namely; teaches how to make financial reports, provides a place for product development training, teaches the importance of the internet for business development, and provides assistance to MSMEs who are experiencing business activity constraints. The indicator "providing a place for product development training" with a loading factor value of 0.855 explains the financial responsibility factor of SMEC towards the business management of the assisted MSMEs refers to (Samputra, 2012) or customer protection (President of the RI, 2020; Afi,2016; and The world bank group, 2018b). The fifth factor is explained by four indicators, including; explanation of the role of SMEC as a credit distribution partner of PT. X teaches types of financial products other than business loans, provides an understanding of business risks, and explains knowledge about financial management. Of the four indicators, "teaching on types of financial products other than business loans" is the dominant indicator that explains the fifth factor with a loading factor value of 0.873. This indicator is also a feature of the "financial education" refers to (Samputra, 2012) factor obtained from SMEC. Paraguay (Afi, 2016) and Peru (The world bank group, 2018b) also views financial education as essential to its national financial inclusion strategy (Afi, 2016).

The sixth factor consists of three indicators that show the ability of SMEC, including assessing whether MSMEs are eligible or not to get loans, the policy of PT. X gave time for late loan payments and PT. X to MSMEs who are unable to pay their installments. The indicator "capable of assessing whether MSMEs are eligible or not getting a loan" is the dominant indicator that explains the sixth factor with a loading factor value of 0.837. These indicators describe the policy characteristics of SMEC and PT. X for the difficulties faced by MSMEs. Referring to Samputra (2012), these leading indicators are a feature of the pillars of financial leadership policies.

The last factor determining the financial inclusion strategy through empowerment program shows by the seventh factor. Three indicators explain the seven factors, including; requirements for applying for business credit loans, requirements to become members of the assisted MSMEs, and the procedures and period of loan disbursement. Of the three indicators, the highest loading factor value of 0.819 explains by the "requirements to become a member of the assisted MSMEs." This indicator is the most dominant in explaining the seventh factor called the "regulatory center" factor refers to (Samputra, 2012).

NFISPI is a measuring tool used to determine how easy it is to access financing based on the perception of MSMEs. These results will help policymakers assess and evaluate the success of financial inclusion strategy throught empowerment programs. In measuring the extent to which this strategy provides easy access to the financing needed by MSMEs. The measurement of the financial inclusion strategy assessment index by MSMEs bases on seven dimensions obtained from the results of the previous factor analysis.

The result of calculating the financial inclusion strategy perception index is 76.37%. It means that 76.37% of MSMEs find it easy to get loans from the empowerment program. The implication is that the financial inclusion strategy through universities in the MSME empowerment program is considered successful in providing easy access in the moderate category. This category refers to the measurement for the low category with a value of <70.5%. In comparison, the medium category ranged from 70.5% to 82.2%.

Table 4. Results of the National Financial Inclusion Strategic Perception Index by MSMEs

Factor	Weigth	Average Factor Value	Index (%)
Kinship&Mutual Cooperation	0.17	0.83	14.53
Welfare Support	0.17	0.84	13.99
Benefits of Access to Finance	0.15	0.76	11.50
Financial Responsibility	0.15	0.73	11.01
Financial Education	0.13	0.72	9.40
Financial Leadership Policies	0.12	0.82	10.14
Central of Regulation	0.10	0.56	5.81
Total Index			**76.37**

Source: the results processes from SPSS.23

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MSMEs face several obstacles that come from internal and external. Internal barriers stem from the understanding and perspective of MSMEs on their business development. First, the reluctance of MSMEs to legalize their businesses to become legal entities. This fact reinforces by the above research results, where 68% of MSMEs are not yet standard. Only 16% of MSMEs intend to legalize their business to become a legal entity. The reluctance of MSMEs not to legalize their business is because they think their business is difficult to develop. There is an assumption that small businesses do not need a legal entity and burdensome business legality costs. Second, MSMEs' obstacles related to human resources, including low motivation to work, discipline, performance, loyalty, and inadequate education. These results are in line with research.

Bhanot et al. (2012) which explains the main factor affecting financial inclusion's success is education. Third, the technology used for the production process is mostly manual. This limitation is related to the expertise of the workforce in using technology. Finally, most of them still use conventional methods related to product promotion methods, namely through word of mouth and shops or stalls. This method becomes an obstacle for MSMEs in business development and barriers in reaching a more comprehensive range of consumers. External obstacles faced by MSMEs include the difficulty of obtaining raw materials in sufficient quantity and quality and getting suppliers at competitive prices. Other external barriers are related to more competitive prices offered by competitors and the amount of working capital that is still needed apart from PCDP loans. So do not be surprised if MSMEs are even borrowing business capital from other sources that are faster and cheaper. One of them they borrowed from their family and closest people.

These constraints indicate the characteristics of micro-businesses that are still conventional. Therefore it needs support from SMEC in helping to overcome these obstacles. To solve production problems, SMEC can take advantage of its channels to open access to the upstream sector. For example, through “Bedah UKM” or related events that are often held by SMEC regularly. The goal is to connect MSME entrepreneurs working in the upstream and downstream sectors. That is important to maintain the sustainability of micro, small and medium enterprises in the long term. In overcoming the problem of limited technological capabilities in both the production, marketing, and financial processes, SMEC can maximize its role in providing training and mentoring through incubation clinics. If needed, MSMEs can consult directly with staff or experts at SMEC. Coaching is also very much required in directing MSMEs to improve their abilities, both through formal and informal education. That does by direct MSMEs to set aside a part of their profits to improve their skills.

Most MSMEs (67%) assessed that SMEC played a role in facilitating access to financing, including; simplify the loan process, speed up the loan process, provide training and education, and establish kinship between MSMEs. These characteristics primarily explain by the "kinship and cooperation" factor. This fact shows that the existence of SMEC is essential in reducing non-price barriers. These results strengthen the assessment of the MSME financial inclusion strategy through empowerment program is successful in providing easy access in the moderate category. Seven factors characterize reducing non-price barriers, namely: kinship and cooperation, welfare support, benefits of financial access, financial responsibility, financial education, financial policy leadership, and regulatory center. The uniqueness of the financial inclusion strategy involving SMEC can see in the incubation clinic and "*Bedah UKM*" activities. This activity is considered very useful for MSMEs in increasing their knowledge, understanding, and business management. In addition, this activity is also a forum for MSMEs to get closer. The atmosphere built from the "*Bedah UKM*" activity can foster a family character and cooperation between MSMEs. So it is not surprising that the assessment of the level of financial inclusion strategy on the "family and cooperation" factor is the highest. In this case, universities have a great sense of responsibility for the continuity of MSME businesses and build solidarity between MSMEs. The empowerment model has also succeeded in educating MSMEs in maintaining their business continuity. It can show from MSMEs' behavior in allocating 52% of their business results for savings, 24.66% for children's school fees, 20.5% for buying assets such as houses, land, Etc. 2.73% uses to meet the needs of life. It shows an increase in the quality of life of MSMEs from their business. However, this strategy has not been able to motivate MSMEs to become cooperative business entities. Strength and business continuity can obtain if MSMEs form cooperatives, especially in facilitating and strengthening business capital, access to marketing, and the workforce's ability. The success of the financial inclusion strategy through empowerment programs involving universities needs to be supported by the government to be more contributed.

CONCLUSION

The financial inclusion strategy through empowerment programs from Universities is proven to be in the moderate category, with a NFISPI score of 76.37%. The factors that determine the success of financial inclusion strategy are kinship and cooperation, financial education, financial responsibility, welfare support, central regulation, benefits of access to finance, and wisdom financial leadership. The success of a financial inclusion strategy through university requires government support. In addition, cooperation with the government agency "Ministry of Cooperatives and SMEs" is needed to educate and direct SMEs to form cooperatives, strengthening and maintaining their bus-iness continuity in a sustainable manner.

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