

Financial Inclusion Strategy To Increase The Welfare Of Regional Community Industry In Gresik Regency Of East Java

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ABSTRACT

The problems that occurred in the tourism area of small and medium industry community of Giri Gresik Regency based on survey results of businessmen still do not understand financial inclusion so they still do not have bank account. the purpose of this study is to test and analyze financial inclusion indicators. Research method using quantitative method with partial least square analysis technique. Based on the analysis of financial inclusion factors, attributes that significantly affect small and medium industries are credit management, knowledge of credit guidelines, consumer over indebtedness, savings and deposit functions. The strategy that must be done in the short term based on attributes in this research is to provide financial inclusion education with attention to significant attributes. provide assistance from financial planning to the preparation of financial statements. provide the motivation to separate between family finance and business finance. While long-term strategy that together with tourism aspect is expected to become industrial tourism industry that require production of small and medium industries based on economic potential, especially in agriculture, processing industry, and tourism, and trade. In addition, it needs to be improved facilities and infrastructure that support tourism such as hotels and restaurants.

Keywords: financial inclusion, community welfare

PRELIMINARY

Background

The industrial community of the Gresik regency tourism area based on the preliminary survey of the research team indicates that they are reluctant to transact with the bank (not bankable) and the inclusive financial behavior shows that they can not distinguish between family finance and business finance, so the financial performance of their business does not show significant progress. Therefore, it should be given an understanding in order to implement an inclusive financial model in order to improve the welfare of industrial society in the tourist area of Gresik regency.

Gresik Regency has 27 tourist destinations supported by small and medium industries in the food and beverage sector, handicraft, Muslim fashion and its equipment, which has been established since several years ago. It seems that the business development of this industry is stagnant although it is actually potential to be developed and can be the economic growth of Gresik regency in East Java. The problems that occur in small and medium industry community of Giri regency of Gresik regency based on survey result is that business actors still do not have financial literacy, marked by not understanding about financial planning, not yet separating

recording and storage between family finance and business finance, and yet considers important financial management in the family and business. Besides, there is still limited socialization of financial inclusion so that in general they are still unbanked.

In the inclusive financial model, it involves the role of banks and other official financial institutions to direct and realize the necessary financial plans including investments to develop the business community tourism industry in Gresik district through an understanding of financial literacy, so that the use of illegal financial institutions such as renternir can be avoided.

THEN REFERRED

Inclusive Finance (Literacy inclusion)

The Committee on Financial Inclusion in Khaki's (2012: 117) study defines the concept of financial inclusion as a process to ensure access to timely and adequate financial and credit services, where required by vulnerable groups such as weaker groups and groups lower income, at an affordable cost.

According to Kelkar (2010: 57), financial inclusion means we provide financial services, including banking and credit services, at an affordable cost to most of the disadvantaged and low-income groups that tend to be ruled out. Where such financial services include access to savings, loans, insurance, payments, and money transfer facilities offered by the formal financial system.

Meanwhile, according to Bhowmik (2013: 3), financial inclusion means making financial services accessible to the poor, giving them credit facilities that suit their needs and generating entrepreneurial opportunities for them. Bhowmik (2013: 3) also added that from different definitions, it can be concluded matters about the concept of financial inclusion are: It is difficult to be able to define and measure a definite concept.

People from all segments of society should have access to formal financial services. There should be no barriers to accessing credit. Punctuality and adequate credit amount must be provided. Weak and low-income communities need to be targeted. Financial services should be cheap and affordable.

Various reasons that cause the community to be unbanked, both in terms of supply (service providers) and demand (community), namely:

1. price barrier (expensive)
2. information barrier (do not know)
3. design product barrier (product matching)
4. channel barrier (appropriate means)

Inclusive finance is able to answer the reasons by providing many benefits that can be enjoyed by the community, regulators, government and private parties, among others as follows:

1. Improve economic efficiency
2. Supporting the stability of the financial system
3. Reduce shadow banking or irresponsible finance
4. Support the deepening of financial markets
5. Providing new market potential for banks
6. Support the improvement of Human Development Index (HDI) Indonesia
7. Positively contribute to sustainable and sustainable local and national economic growth
8. Reduced the inequality and low income trap rigidity, so as to improve the welfare of the

community which ultimately leads to a decrease in poverty levels.

However, with all the above problems, among other developing countries, public access to financial services in Indonesia is moderate. The level of access of Indonesians to financial services is greater than two emerging giants India and China, and only slightly in under Thailand, Malaysia, and even South Korea. That is, there is still room to make the financial system more inclusive and achieve greater social benefits. Access to these financial services is a complex issue involving the community as a consumer and a financial institution as a producer. This requires the formulation of a multi-dimensional approach in improving public access to financial services.

In economic development in Indonesia, banks play a major role to be the driving force of inclusive financial activities considering that Indonesian banks have a financial activity share of up to 80%. However, involvement in inclusive finance is not only related to the tasks of Bank Indonesia, but also the Government in the efforts of financial services to the wider community. This inclusive finance is a national development strategy to encourage economic growth through equal distribution of income, poverty alleviation and financial system stability. Through an inclusive national financial strategy it is expected that collaboration between government agencies and stakeholders is well-structured.

Public welfare

Community welfare is the ultimate goal of development activities. Both within the scope of the country and the scope of the region. Development can not be said to be fully successful if not able to make people live more prosperous. For that it needs an understanding of the welfare itself so that steps can be taken to achieve it.

The welfare theory according to economics can generally be classified into three types, namely classical utilitarian, neoclassical welfare theory, and new contractarian approach (Albert and Hahnel, in Darussalam 2005: 77). The classical utilitarian approach emphasizes that pleasure or satisfaction (utility) a person can be measured and increased. Different levels of pleasure perceived by the same individual can be compared quantitatively. The principle for the individual is to increase as much as possible the level of his welfare, while for the community, the improvement of his group's welfare is the principle held in his life.

There are several theories that discuss welfare. Albert and Hahnel (Sugiarto, 2007: 263) classify welfare theory into three types, namely classical utilitarian, neoclassical welfare theory and new contractarian approach. The classical utilitarian approach emphasizes that pleasure or satisfaction (utility) a person can be measured and increased. Different levels of pleasure perceived by the same individual can be compared quantitatively. The principle for the individual is to increase as much as possible his level of well-being. As for the community, increasing the welfare of his group is a principle that is held in his life.

Neoclassical welfare theory is a theory of welfare popularizing the principle of Pareto Optimality. The Pareto Optimality principle states that the community becomes better off if one individual is better off and non worse off. The principle is a necessary condition for achieving the maximum social welfare state. Social consequences can be determined by the subjective choices individuals make. The larger the range of options available, the greater the level of welfare achieved, if other circumstances do not change (Coporaso and Levine, 2008: 194). In addition to the principle of pareto optimality, neoclassical welfare theory also explains that the function of welfare is a function of all individual satisfaction. Group welfare (community) can

be improved through the well-being of individuals. If the individual succeeds in satisfying his needs then the welfare of the group (community) will be achieved.

The principle in the new contractarian approach is that a rational individual will agree with the maximum freedom of his life. The essence of this approach is that each individual has a clear concept of goods and services and the tasks of the existing social institutions. In this case the individual will maximize his freedom to pursue their concept of the goods without any interference.

The definition of family welfare in Indonesia by the government has been grouped into two types (Suyoto, 2004), namely First, Pre-Sejahtera Family Type is a family that is still experiencing difficulties to fulfill basic needs of life in the form of clothing, food, and board. Pre-prosperous families are synonymous with families with large numbers of children, can not afford proper education, have no fixed income, have not paid attention to environmental health problems, are susceptible to illness, have housing problems and still need to get clothing and food.

From the above theories then it can be said that welfare can be measured and related to the satisfaction of the fulfillment of needs. The more pilhan you have in fulfilling the need, the greater the level of welfare. People's welfare can be said to increase if there is at least one person who gets better without one becoming more ugly.

Preliminary studies

The small industrial community of tourism area of Gresik regency of East Java is still not able to utilize the potential as a tourist destination in order to improve their welfare. They still need socialization and education related to financial inclusion in business finance and family finance to develop the business and realize the welfare of his family. The active role of local government is needed in socializing and educating small industry community regarding financial inclusion in business finance and family finance so that they become financially capable and able to develop their business and realize the expected prosperity.

Community welfare remains one of the priority issues in East Java. Achieving the prosperity of the industrial community can be done by increasing the understanding of financial inclusion of the small industry business actors. Thus not only the welfare of small business actors that increase, but also improve the welfare of the workers involved in it.

RESEARCH METHODS

Research design

This research uses qualitative descriptive method based on indepth interview (in depth interview) conducted to 28 Small Industry of Tourism Area Giri of Gresik Regency. Based on the results of indepth interview then analyzed using SWOT (Strength, Weakness, Opportunity, Threat) method is to analyze internal factors (strengths and weaknesses) and external factors (opportunities and threats) for small industry of Giri tourism area of Gresik regency.

Research sites

The location chosen as the object of research is the small industrial center in the tourism area Giri Gresik regency. The reasons underlying the selection of the study sites based on preliminary observations indicate that the industrial community in this tourism area is still unaware and has not applied the skills of financial inclusion models that can improve welfare. Most of their business finances are still united with their personal finances or household finances, so it seems as if they have been successful and wealthy. Though essentially in the

household finance there is a business operating costs that unwittingly come to be used as the cost of daily living.

Analysis Technique

Data analyzed by using factor analysis to detect Financial Inclusion which able to improve prosperity of society of small industry of tourist area of Gresik Regency

RESULTS AND DISCUSSION

Inclusive Financial Strategy in order to Improve the Welfare of People of Industrial Area Tourism Gresik Regency of East Java

Based on the results of indepth interview in depth indicate that which is a strength for small industry of tourism area of Giri Gresik regency is

1. Have a great motivation in terms of education in the field of financial inclusion
2. They also seek to control the financial business, including working capital, especially in terms of raw material purchases.
3. They are willing to get training in their business finance budget.
4. Small industry entrepreneurs have the view that the business wants to develop as a preparation in the old age.
5. Have a high creativity in developing the results of its production.

While the weakness for the small tourism industry area Giri Gresik district it is

1. Small industry entrepreneurs still can not separate business finances with their family finances.
2. Not yet optimally spend their household needs in a disciplined manner.
3. They also have not optimally utilized the banking facilities so it needs education about financial inclusion.
4. They have not understood the meaning and importance of the welfare of the industrial community either for their families or for their industrial environment.
5. Development of business since its establishment until the research done still impressed stagnant.

The result of indepth interview also shows that which is an opportunity for small industry of Giri regency of Gresik regency is

1. The majority of production is in the form of food and baverage (food and beverage) which is much needed by local and even regional community to big city like Surabaya.
2. Manpower available from the surrounding environment which can certainly reduce labor costs this is an opportunity to develop the business.
3. The master plan of local economic development of Gresik Regency is experiencing a very rapid development supported by the progress of infrastructure and the number of occupancy levels in the last few years so that the productivity of small industries can be improved to meet the needs of the surrounding community.
4. Actually have the opportunity to cooperate with big industries in supplying their products with bussines to bussines marketing strategy (B to B) instead of bussines to consumer / customer (B to C).
5. If the investment of this small industry is done then it can be a captive market means that the raw materials, production, and marketing are done by themselves.

While the threat that is an obstacle for the small tourism industry Giri Gresik region is

1. Began to appear galery-galery for garment from medium and large scale investors who already have a known brand.
2. Non-food production products such as batik beverages typical Giri tourist area has a relatively expensive selling price ranges between Rp. 250.000 so as not to compete with batik tulis produced by other regions that have entered in Gresik regency.
3. Do not have access to capital with the banks because they are reluctant to rely on banking facilities
4. The entry of many imported products in the form of beverage food products.

Table Indicators and Value Factors of Financial Inclusion

No.	Indicator	Factor Values
1	Banking Services	0,857
2	Banking Products	0,834
3	Banking Facility	0,827

Factor 1: Banking Services

The highest factor value for financial inclusion is banking services, meaning that the small industrial community of Gersik Regency tourism area needs an increase in the capacity and quality of banking services which greatly facilitates the smoothness of its business in financial terms.

Factor 2: Banking Products

Various types of banking products must be accessible to small industry communities which is also very useful to improve access to financial transactions between small industry actors with suppliers and customers

Factor 3: Banking Facility

Banking facilities including Automated Teller Machine (ATM), internet banking, mobile banking, SMS banking, and other facilities that are easily accessible by small industry actors are needed for the smoothness of their business so as to increase the productivity of the small industry. strategies that must be done in the short term based on attributes found in this study are:

1. to conduct financial inclusion education by taking into account the significant attributes,
2. perform mentoring from financial planning to the preparation of financial statements,
3. provision of motivation to separate between family finance and business finance,
4. the government is expected to grow the role of the cooperative as a saving-loan institution not just a loan alone so that loan sharks become non-contributing,
5. CSR programs need to be continuously implemented to pay attention to the social conditions of the environment including small and medium industries,
6. is provided software for group accounting records. While the long-term strategy that is together with the tourism aspect is expected to become an industrial tourism industry that requires the production of small and medium industries based on economic potential, especially in the agricultural sector, processing industry, and tourism, and trade. Besides, it needs to be improved facilities and infrastructure that support tourism such as hotels and restaurants.

CONCLUSIONS AND RECOMMENDATIONS

Strength

Motivation, education, Financial Inclusion. Controlling business finances. Willing to follow Business finance budgeting training. The desire to develop business for old age. Creativity is

high.

Weakness

There has been no separation of business finances with family finances. Less discipline in spending his finances. Not yet optimally utilize banking facilities so it needs education about financial inclusion. The development of its business from its founding up to the research is still impressed stagnant

Opportunities (Oppurtunity)

The production is much needed by local and even regional communities. Manpower available from the surrounding environment so that the potential to increase productivity. Infrastructure is experiencing rapid growth. There is a large industrial industry has a chance B to B. Captive market potential

Threats

The entry of middle and upper investors. The batik tulih industry can not compete with other regions in terms of price. Capital access can only be enjoyed by medium and large scale businesses. The entry of imported products

Suggestion of this research result is follow up plan which should be done by small industry of tourism area of Giri regency of Gresik:

1. Small industry entrepreneurs should be able to separate business finances with their family finances.
2. Small industry entrepreneurs must spend their household needs in a disciplined manner
3. Small industry entrepreneurs should optimally utilize banking facilities for it need education about financial inclusion.
4. The government or academicians need to provide an understanding of the meaning and importance of the welfare of the industrial community both for their families and for their industrial environments.
5. Government or academicians need to conduct training to improve their business development, especially in marketing and production and capital.

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