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The Impact of COVID-19 on SMES' Access to Financial Institutions in Aceh Province, Indonesia

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Abstract

5 This study aims to examine the accessibility of financial institutions to micro and small enterprises (SMEs) and the effect of Covid-19 on loan repayments. The knowledge used in this research is the primary data of a qualitative and quantitative nature. 100 micro and small enterprises distributed in Banda Aceh and West Aceh were the number of samples taken in this report. A probability model and a binary logit model are used in the knowledge analysis model. The results of the data analysis show that Covid-19's impact also affects the access of SMEs to financial institutions, such as credit repayment difficulties, interest rates, collateral, usury, and equity, which hurt the access of SMEs to financial institutions. The rate of interest, accompanied by equity and usury, was the aspect that most influenced the accessibility of SMEs to financial institutions. To increase SME access to financial institutions, the attention of the government in providing SME loans with low-interest rates, facilitating the level of collateral, and the provision of various Islamic financial institutions is required because the growth of SMEs also increases employment and economic growth.

Keywords: SMEs, access to financial institutions, Covid-19 and usury

8 1. INTRODUCTION

The outbreak of Covid 19 that occurred worldwide in almost every part of the world at the beginning of 2020, including in Indonesia, has created negative sentiment against different business lines, especially the MSME business. The negative impact of the outbreak of Covid-19 has hindered the growth of the MSME industry, where physical distancing and the movement of large-scale social constraints (PSBB) are considered to impede the movement of MSME companies involving showrooms or promotions.

MSMEs are facing difficulties in repaying loans to financial institutions because, due to the effects of Covid-19, the profits earned often decrease because of the decrease in the amount of income received. As a result, many MSMEs tend to fund their own business models that are restricted to carrying out business operations, making it impossible for their companies to grow and expand.

Multiple solutions can be provided to challenges and capital problems for any company belonging to micro and small enterprises (MSEs), one of the efforts that can be done is to add a number of organizations or parties that become sources of funding. Financing sources may come from the own resources of the entrepreneur (internal) or from other parties (external).

Furthermore, in the loan application process, the degree of group awareness about the actual procedures is still very limited. In comparison to rural populations that still use traditional transaction practices, urban communities may be more likely to access loans to financial institutions. This is compounded by the fact that market actors still feel that the protocols adopted are difficult to execute.

Interest rates, supplies and credit procedures are the key factors for bank institutions that affect the capital structure of MSMEs. Most MSMEs in different countries, especially developing countries, find it difficult to get loans from banks based on empirical evidence from different studies. Different credit procedures, interest rates and types of services decided by the bank give rise to this situation. This restriction is compounded by the current laws and regulations requiring banks to.

2. MODEL OF DATA PROCESSING

Logistic regression is the research model employed. Logistic regression forms part of the regression analysis used when a dichotomous variable is the dependent variable (response). In logistic regression, the models used are:

$$\text{Log} \frac{p}{1-p} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_k X_k$$

where p is the likelihood of Y = 1, and p

X₁, X₂, X₃ are independent variables, and β is the coefficient of regression.

Logit Binary Model

This logit model produces a probability depending on the observed variables, namely X₁, X₂ and so on. These variables are multiplied by the coefficients b₁, b₂, and so on. The purpose of estimating with this model is to find the best value for each coefficient. If the coefficient of a variable is positive, it means that the lower the value of the variable is associated with a higher probability that Y = 0; In other words, the higher the value of a variable means the higher the probability of Y = 1

The model used in this research is as follows:

$$\text{ALK} = b_0 + b_1 \text{Cv} + b_2 \text{KPSC} + b_3 \text{MS} + b_4 \text{Ag} + b_5 \text{SB} + b_6 \text{Rb} + e$$

Cv = covid-19

KPSC = valid during covid-19

MS = Own Capital

AG = Budget

CB = Interest Rate

Rb = usury

3. DISCUSSION

MSEs' Profile in Aceh Province

This research is aimed at cooperative enterprises/enterprises and micro and small enterprises that exist in the province of Aceh, with 100 enterprises / enterprises with a sampling area consisting of West Aceh, Banda Aceh and many other online districts taking the number of MSEs. Industrial businesses are grouped according to the number of permanent employees hired, including the following:

Tabel 1. Grouping Companies/Businesses According to number of Permanent Workers

Company Category	Total Labor
Big Industry	≥ 100
Medium Industry	20-99
Small industry	5-19
Micro Industry	1-4

Source: Disperindagkop 2020

The number of cooperative companies / enterprises and 74801 micro , small and medium enterprises / enterprises in Aceh is the basis for the publication of the Aceh Province Cooperatives and UMKM Office 5,978. The distribution data according to districts / towns in Aceh is below. With 9591, Banda Aceh has the largest number of SME industries in Aceh, and with 600 business units, the Aceh Besar district has the largest number of cooperatives in Aceh. The area with the least amount of UK is Amun Gayo Lues.

Table 2. Data on the Number of Cooperatives and MSMEs by City District in Aceh Province in 2020

No	Kabupaten	Koperasi	SME
1	Banda Aceh	43	9591
2	Aceh Besar	600	4455
3	Pidie	33	1545
4	Bireuen	308	6997
5	Lhokseumawe	256	2353
6	Aceh Utara	484	3660
7	Aceh Timur	410	5891
8	Aceh Taming	263	2948
9	Bener Meriah	270	1010
10	Aceh Tengah	431	2719
11	Gayo Lues	141	996
12	Aceh Tenggara	501	1245
13	Aceh Jaya	135	1212
14	Aceh Barat	328	2010
15	Simeulue	108	2087
16	Aceh Barat Daya	189	2262
17	Singkil	127	1473
18	Aceh Selatan	406	3251
19	Nagan Raya	199	6451
20	Langsa	338	3579
21	Subulussalam	108	1318
22	Sabang	78	2170
23	Pidie Jaya	222	5578
	Provinsi Aceh	5978	74801

Source: Data on Cooperatives and UMKM 2020

As with the highest percentage of total loans disbursed from financial institutions, which is 10-25 percent, just 12 percent of the total loan funding from institutions is above 75 percent. Long-established companies are dominated by companies that have been established for more

than seven years, with 26 percent of newly established companies. The education of business owners is largely dominated by graduates of high school / technical school, then at 60 percent, with 44 percent, college graduates from diploma to bachelor degree. Company owners usually want to become companies on their own initiative, hitting 66 percent, and only 10 percent choose to become entrepreneurs because they continue the work of their parents. This can be explained on the following page about curves:

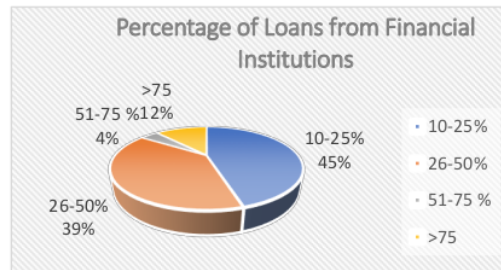


Figure 1: Percentage of Loans From Financial Institutions

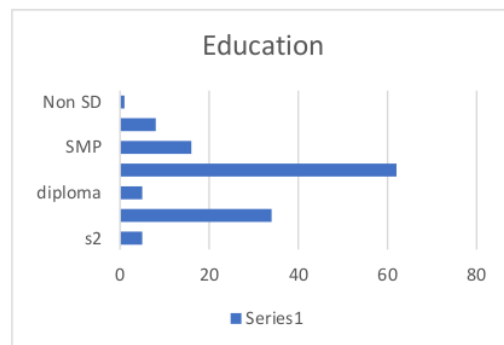


Figure 2: Business Status

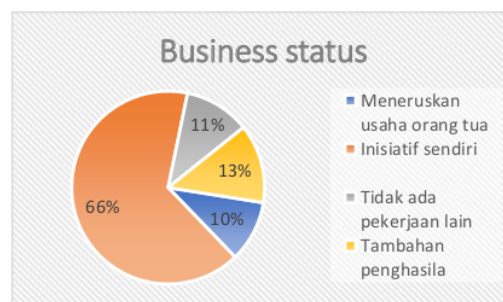


Figure 3: Business Owner Education

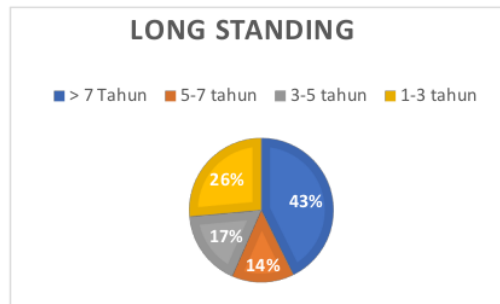


Figure 4: Long Standing Business

Source: Primary data processed in 2020.

4. RESULT DISCUSSION

The findings of the research seen in a probability analysis are below, from the estimation results it can be clarified that the key reason for MSEs to enter financial institutions is due to the impact of Covid-19, since at the time of the outbreak of the Covid-19 disease this research was carried out. However, with just 0.1 percent of its financial institutions, there is no intention to build opportunities to influence SMEs. The dominant factors controlling the return of business credit, namely 0.77 and 0.71, are the business position factor and the presence of business expansion variables. Moreover, the public perception of usury at bank interest rates also affects the 0.58 magnitude opportunities for access to space institutions.

Table 3. The Probability variable has on effect on credit taking

	Probability
Business Cooperation	0,33
Financial Cooperation	0,22
Goods Supply Cooperation	0,37
Financial Report	0,58
Business development	0,72
Location in urban areas	0,78
Access to Finance	0,24
Disbursement Constraints	0,15
Return Constraints	0,17
Credit for business expansion	0,52
credit and increased income	0,52
credit to open a new business	0,19
branch	
Credit from non-formal financial	0,15
institutions	
Affected by covid-19	0,83
Constraints on Returning Due to	0,31
Covid -19	
Own capital	0,58

It lacks grace	0,26
Not covered by credit because of returns	0,39
Usury	0,58
There is no development plan	0,11

source: primary data processed in 2020

Analysis of the binary logit model

The findings can be summarized in table 4.2 below, based on the analysis using the binary logit model:

Table 4. binary logit model

Variable	Coefficient	Prob.
C	-0.326342	0.5625
Covid_19	-0.391709	0.0231
repayment of credit	0.658254	0.0082
Own Model	1.771.670	0,0921
Graceful	0.840501	0.0593
Interest rate	-1.847.789	0,0147
Usury	1.015.871	0,0125
Daya Klasifikasi	\sum obeservasi	%
Akses	82,86	82.86
Non-akses	21.51	17.14
Total	100	100

Source: Primary data processed in 2020

$$\log \frac{p}{1-p} = -0,326 - 0,392C_{19} + 0,658RC - 1,770M + 0,840Gc - 1,847IR - 1,015Us$$

The binary logit equation model, based on the EVA predictor, with the access variable ratio between SMEs and selected financial institutions, has access category classifications of 82.86 percent and 21.51 percent and 82.86 percent and 17.14 percent, respectively.

0.85 > 0.5 is the logistical predictive value. The effect of Covid-19 between the values of 0-0.85 or 85% of the total sample observations or of the entire MSMEs studied will be experienced as an incentive for MSMEs to be accessed by financial institutions in Aceh Province.

From the results of the equation above, it shows that the impact of Covid 19 on credit financing has a significant relationship, where the value of the equation is negative, which means that if the Covid-19 pandemic increases, it will reduce the number of SMEs that have access to financial institutions, then their own capital, usury and interest rates also have a negative effect. access to SMEs with spatial institutions, but the constraints of covid and grace have a positive effect on access to financial institutions, which means that if these three variables increase, there will be an increase in the number of SMEs accessed by financial institutions

5. CONCLUSION

0.85 > 0.5 is the logistical predictive value. The effect of Covid-19 between the values of 0-0.85 or 85% of the total sample observations or of the entire MSMEs studied will be experienced as an incentive for MSMEs to be accessed by financial institutions in Aceh Province.

The effect of Covid-19 also affects the access of SMEs to financial institutions, while adequate ownership of capital for business growth also has a negative impact on the access of SMEs to financial institutions. The capital interest rate plan itself often adversely affects access to financial institutions, but the public's desire to extend the halal definition of financial institutions to development plans and locations in urban areas is also a constraining factor. Therefore, the government needs to deal rapidly and effectively with the Covid-19 outbreak, since it also affects the opportunities for financial institutions to access SMEs. In addition, the allocation of funds through financial institutions and Islamic banking in Aceh needs to be multiplied in order to promote entrepreneurs' demand for access to financial institutions and to minimize interest rates on SME funding and to facilitate collateral.

The problem faced by MSMEs is the lack of ownership features that promote the development and implementation of long-term business planning, the preparation of financial reports in compliance with accounting standards, restricted Islamic financial financing in line with the Islamic Sharia guidelines, and high interest rates on loans issued by financial institutions, making it difficult for MSMEs to access them.

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