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The Impact of Financial Access on SMES Development in Oku Regency, South Sumatera

Lisa Hermawati[1*]; Ema Pusvita[2]; Siti Khairani[3]
[1]Lecturer in Development Economics Study Program,
Faculty of Economics and Business, Baturaja University, South Sumatra, Indonesia
[2]Lecturer of Agribusiness Study Program, Faculty of Agriculture, Baturaja University, South Sumatra, Indonesia

Correspondence Author: Lisa Hermawati[1*]

Abstract:- Financial access was a key factor in supporting the development of small and medium-sized enterprises (SMEs). This study aimed to analyze the effect of financial variables, such as the amount of loans received, financing frequency, speed of fund disbursement, and ease of access to development institutions, on SME development measured by income growth. Data were collected from 40 SME respondents through surveys using the snowball sampling technique. Multiple regression analysis showed that the amount of loans received and financing frequency had a positive and significant effect on SME development, with beta values of 0.582 and 0.407, respectively. However, the speed of fund disbursement and ease of access to development institutions did not have a significant effect. The model achieved an R Square value of 86%, indicating that 86% of the variation in SME development was explained by the independent variables analyzed. The findings implied that sustainable financial management and the provision of adequate loans were priorities in supporting SME growth.

***Keywords**:- Financial Access, Smes, Loan Amount, Financing Frequency, Business Development.*

I. INTRODUCTION

Financing was a crucial factor for the sustainability of small and medium enterprises (SMEs) in Indonesia. The sustainability of SMEs had a significant impact when financial loans were easily accessible (Ginting & Rijal, 2024). Cooperatives played a vital role in improving credit access, fostering partnerships with SMEs, and financial institutions (Saiful-Haq et al., 2024). The government also supported initiatives to foster a business-friendly environment for SMEs, promoting sustainable financial inclusion (Riswandi & Zulfikri, 2024). Strategies implemented by the government post-pandemic were essential for restoring SME operations and stabilizing their financial condition (Saiful-Haq et al., 2024). Stable financial performance enhanced a conducive business environment, aligning with sustainability goals (Ginting & Rijal, 2024).

The sustainability of SMEs could not be separated from the ease of access to financial institutions. Financial institutions continued to improve integration and consider climate factors to support sustainable SMEs (Financing SMEs, 2023). Sustainable access to financial institutions demonstrated an increase in productivity and growth in the SME sector, contributing 14.7% to long-term sustainability success (Kato et al., 2024). Access to financial services was critical for SME development, as highlighted by Edward et al. (2023), which indicated that financial access significantly influenced the growth potential and economic contributions of SMEs.

However, financial access for SMEs faced several challenges, including high loan interest rates and a lack of convenience for SMEs (Dacanay et al., 2024; Financing SMEs for Sustainability, 2022). Additionally, financial institutions required accurate data and comprehensive profiles of SMEs (Financing SMEs, 2023).

Various studies examined SME sustainability and financial access. For example, Galih et al. (2024) analyzed the integration of economic, environmental, and social factors affecting community empowerment through SME financing. Thorsten et al. (2006) studied institutional and financial development disparities affecting SME growth issues. Ebes et al. (2018) identified gaps in understanding unique financing challenges faced by SMEs. Marie & Lucía (2024) examined SME financing research frameworks using SAFE data. Furthermore, Nina et al. (2023) explored the impact of improved access to financial services on SMEs in low- and middle-income countries, while Kujtim & Dimitar (2016) investigated the impact of financial access on formal and informal SMEs' performance.

Despite extensive research, detailed studies on variables such as loan amount, ease of access to financial institutions, financing frequency, and speed of fund disbursement were limited. This study focused on analyzing these variables in OKU Regency, a developing area with financial access that was present but not fully advanced. Multiple regression analysis using SPSS was employed to examine the impact of financial access on SME development.

II. RESEARCH METHODS

This study was conducted in OKU Regency, South Sumatera, Indonesia. The region was chosen because OKU was a developing regency with many SMEs growing post-COVID-19 pandemic (2020–2022). The study was conducted between July and October 2024. Economic growth in the region was evident from the increasing number of active SMEs. SMEs in OKU Regency accessed financing through cooperatives and KUR loans from banks. However, financial access often required collateral and a good track record. Therefore, the sample consisted of SMEs operating for more than five years and those that survived the COVID-19 pandemic.

The sampling technique used was snowball sampling, which was non-probabilistic due to the difficulty in defining the population. The research instrument consisted of a questionnaire containing a list of questions to collect data from SME operators. Data were analyzed using multiple linear regression with the following formula:

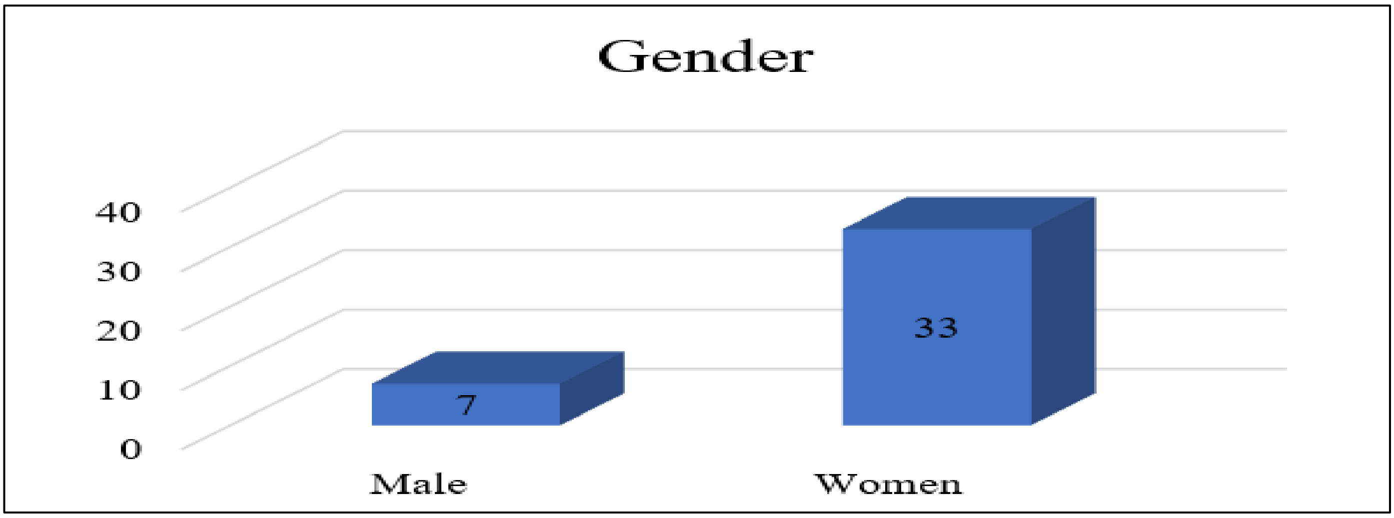
$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Keterangan :
Y = SME Development (SME Income)
α_0 = Intercept
$\beta_{1,2,3,4..n}$ = Coefficients of Variables
X_1 = Amount of loans received (IDR)
X_2 = Ease of access to financial institutions (0 = difficult, 1 = easy)
X_3 = Financing frequency (1, 2, 3, or 4 times)
X_4 = Speed of fund disbursement (1 = 1 week, 2 = 2 weeks
E = Error term

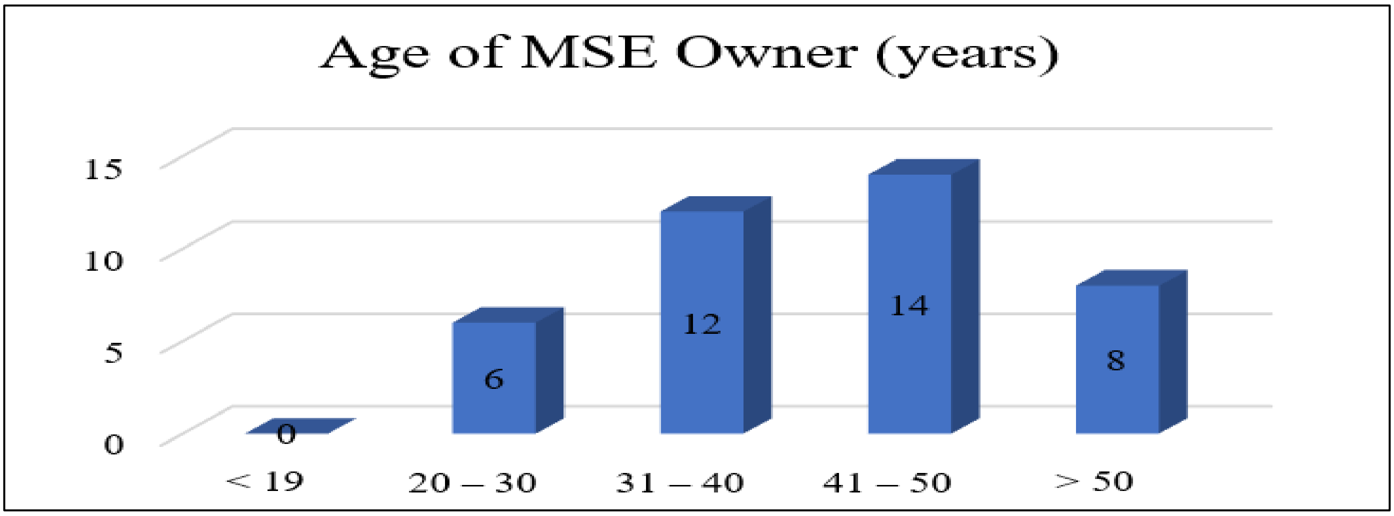
III. RESULTS AND DISCUSSION

➤ *SME Operators Profiles*

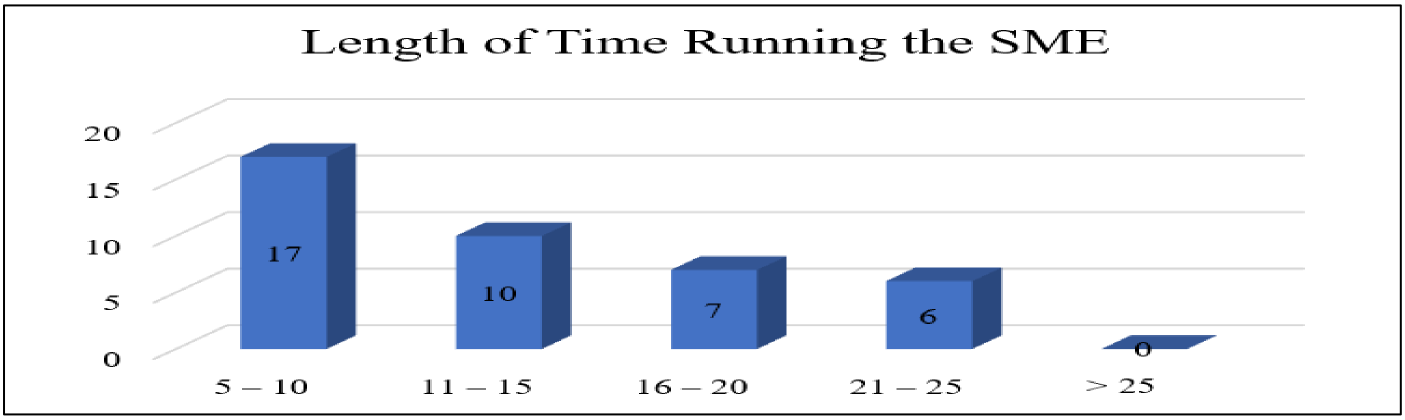
SME operators had profiles based on demographic and educational factors that could influence business growth. Performance improvements were observed when operators understood critical aspects for aligning with support and resources. The following indicators outlined the profiles of SME operators, including gender, age, experience, and education (Charts 1 to 4).



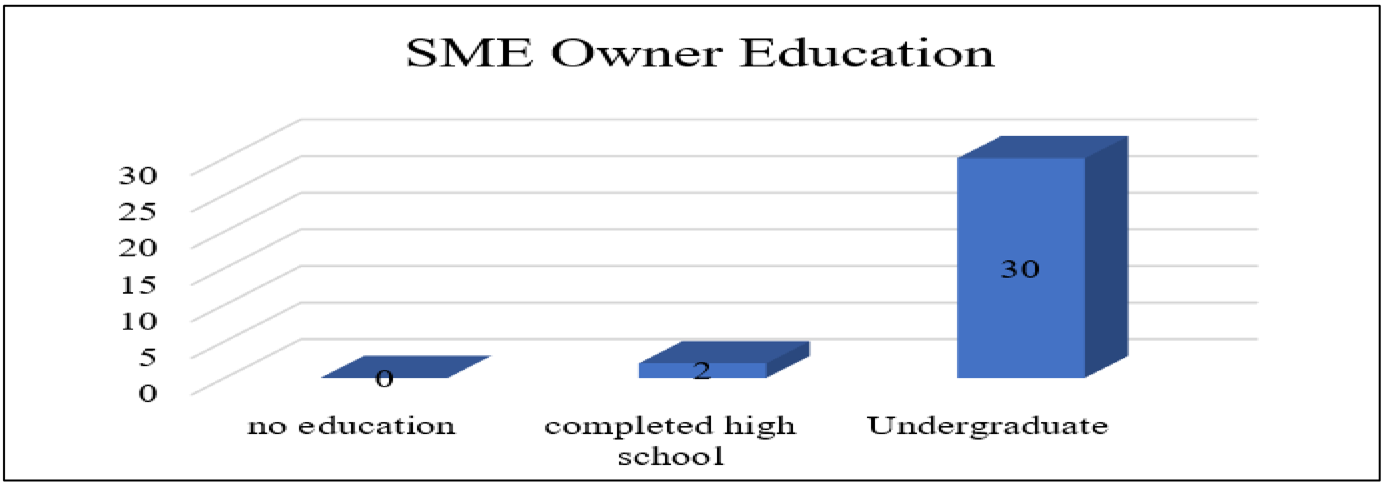
Graph 1: Gender



Graph 2: Age of MSE Owner



Graph 3: Length of Time Running The SME



Graph 4: SME Owner Education

The gender composition of SME operators often reflects social norms and economic opportunities. Studies have shown that the increasing number of female entrepreneurs in sectors such as fashion and handicrafts significantly contributes to the local economy (Idawati & Pratama, 2020). The age distribution of SME owners typically ranges from young adults to middle-aged individuals, with many operators in their 30s and 40s. Younger entrepreneurs often demonstrate a higher adaptability to technology and market trends, while older owners can leverage their extensive experience (Azelia & Patria, 2022). Experience varies widely, with many SMEs being newly established (1-3 years), while others have been operating for over a decade. Longevity in business is often correlated with better financial literacy and management practices, which impact sustainability (Idawati & Pratama, 2020). The educational background of SME owners varies, with many having at least a high school diploma, while a significant number hold higher education degrees. Financial literacy and business management training are crucial for improving the operational capabilities of these entrepreneurs (Hidayattullah et al., 2020). SMEs benefit from the educational background and experience of their operators. However, challenges remain, particularly in financial management and market competition, which can hinder growth and sustainability.

The SPSS regression output of the multiple linear regression equation showed that the independent variables, namely X1 (ease of access to financial institutions), X2 (loan amount), X3 (speed of fund disbursement), and X4 (financing frequency), as well as Y (dependent variable), SME development as measured by income, were strongly correlated with an R value of 0.927.

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.927[a]	.860	.843	4.17047
A. Predictors: (Constant), Ease of Access to Development Institutions, Amount of Loans Received, Speed of Fund Disbursement, Frequency of Receiving Financing				

The confidence level is shown by the R Square value of 0.860, meaning that the development of SMEs is influenced by variables X1, X2, X3, and X4. The remaining 0.14 or 14% is influenced by other variables outside the equation, such as innovation levels, market conditions, or government policies, which can also affect SME development (Dacanay et al., 2024).

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ANOVA[b]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3724.746	4	931.187	53.539	.000[a]
	Residual	608.747	35	17.393		
	Total	4333.494	39			
A. Predictors: (Constant), Ease of Access to Financial Institutions, Amount of Loans Received, Speed of Fund Disbursement, Frequency of Receiving Financing B. Dependent Variable: SME Development as Measured by Income						

The F-statistic value of 53.539 and the significance value of 0.000 indicate that the regression equation, as a whole, shows that the independent variables have a significant effect on the dependent variable.

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.414	5.438		1.180	.246
	Amount of Loans Received	.744	.113	.582	6.596	.000
	Frequency of Financing	4.320	.973	.407	4.442	.000
	Speed of Fund Disbursement	-.452	2.828	-.011	-.160	.874
	Ease of Access to Financial Institutions	1.589	3.320	.033	.479	.635
a. Dependent Variable: SME Development Measured by Income						

Constant (Intercept): 6.414. When all independent variables are zero, the SME development is estimated to be 6.414 (in the relevant scale). Amount of Loans Received (Beta = 0.582, $p < 0.05$): This variable has a positive and significant effect on SME development. Each unit increase in the amount of loan received will increase SME development by 0.744 units. Frequency of Financing (Beta = 0.407, $p < 0.05$): Financing frequency also has a significant positive effect. Each unit increase in financing frequency will increase SME development by 4.320 units. Fund Disbursement Speed (Beta = -0.011, $p > 0.05$): This variable is not significant ($p > 0.05$), with a very small negative coefficient (-0.452), indicating that the speed of fund disbursement does not have a substantial impact. Ease of Access to Development Institutions (Beta = 0.033, $p > 0.05$): This variable is also not significant ($p > 0.05$), with a small effect on SME development (coefficient of 1.589).

IV. DISCUSSION

The results of the analysis show that some independent variables have a significant impact on SME development, while others do not. Below is a detailed discussion: The amount of loans received has a significant positive impact on SME development (Beta = 0.582, $p < 0.05$). This indicates that the larger the loan received by SMEs, the greater the contribution to income growth. Adequate loans can be used for investments in production capacity, innovation, or business expansion (OECD, 2023). The frequency of obtaining financing is also significant (Beta = 0.407, $p < 0.05$) and positively contributes to SME development. Repeated financing allows SMEs to have stable working capital, supports daily operations, and helps them face short-term financial risks (Allen et al., 2023). The fund disbursement speed is not significant (Beta = -0.011, $p > 0.05$), indicating that fund disbursement speed does not have a meaningful impact on SME development. This may be because SME entrepreneurs are more focused on the amount and sustainability of loans rather than the disbursement time, especially if the disbursement process is relatively consistent (UNDP, 2023). Ease of access to development institutions is also not significant (Beta = 0.033, $p > 0.05$). This may suggest that, although development programs are important to support SMEs, their effect on income may take longer to materialize, or the programs may be less relevant to the specific needs of SMEs (ADB, 2024).

The relationship between the independent variables impacts the results, meaning that higher financing frequency could have a greater effect when supported by optimal fund disbursement speed. Even though the fund disbursement speed variable is not directly significant, its interaction with the loan amount could create a more positive effect on SME development. Besides financing, non-financial factors such as training, market access, and business mentoring often play an important role in supporting SME success. This aligns with findings that the ease of access to development institutions has not yet been significant in affecting income, which may be due to a lack of synergy between development programs and the specific needs of SMEs (Dacanay et al., 2024). External factors such as market conditions, government regulations, and economic stability may also influence the study's results. For instance, even though the loan amount is significant, its effectiveness may diminish if SMEs face market challenges such as reduced consumer purchasing power or intense competition (Dacanay et al., 2024).

This study's findings have practical implications for financial institutions, suggesting that they should focus on managing financing frequency and increasing the amount of loans available to SMEs. The government should also encourage policies that support the accessibility and sustainability of financing and integrate development programs that are relevant to the needs of local markets (Beck, T., & Demirguc-Kunt, A., 2022).

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V. CONCLUSION

The regression model shows that the amount of loans received and the frequency of obtaining financing are two significant factors influencing the development of SMEs, measured by income. The variables of fund disbursement speed and ease of access to development institutions were found to be insignificant, although they still had a minor contribution to the model. With an R Square value of 86%, this model is very strong in explaining the variability of SME development.

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