

# Investigating the Supply Chain Management of Accessibility Members of Micro and Small Enterprises (MSEs) on Financing Capitals in Aceh Province, Indonesia

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**Abstract-** The purpose of this study is to investigate the supply chain management effects on accessibility of Micro and Small Enterprises members (MSEs) on capital financing from financial institutions in Aceh province, Indonesia. This cross-sectional data derived from the results of the Economic Census (2016) in Aceh province in 2017 which consists of 23 districts/cities, as many as 34 thousand selected MSEs units. The data analyzed by using logistic-linear regression. The results of this study showed that the status of a business entity, association, business partnership, expert, duration of operation, internet use, membership cooperatives, the provincial minimum wage, and business scale have a significant effect on capital financing. Therefore, there four variables do not has a significant on capital financing from financial institutions received by MSEs members namely location, certificate ownership, financial statements and business systems. An astonishing finding is that MSEs members of cooperatives have more than three times the opportunity to receive funding from financial institutions compared to non-MSEs members. It clearly illustrated that MSEs who are members of cooperatives have a substantial possibility of obtaining financing from financial/banking institutions compared to those who are not members of cooperatives. This study suggests that Non-MSEs members to join as MSEs members is a necessity.

**Keywords-** *Micro and Small Enterprises (MSEs), Accessibility for Access of Financial Institution, Financing Capital and Non and MSEs Memberships.*

## 1. Introduction

Currently, the focus of the SCM studies has evolved from economic and environment issues to incorporate social issues. SCM studies are more concerned now with exploring the interaction between social issues and SCM practices [1-4]. The global businesses in Aceh province currently dominated by Micro and Small Enterprises (MSEs). Using the census data 2016 (SE2016) that reported by the Central Bureau of Statistic Aceh, (2017), the number of MSEs reached to

422,469 units or as much as 98.97 percent from the total non-agricultural businesses in Aceh. This business absorbed workforces are more than one million (1,061,217) people or about 90.54 percent of the total non-agricultural workforce. In the economic crisis of Indonesia from 1997 – 1998, MSEs showed that their advantage to survive when the other business collapsed. Besides the several advantages, MSEs also has some disadvantages that make it challenging to grow and compete.

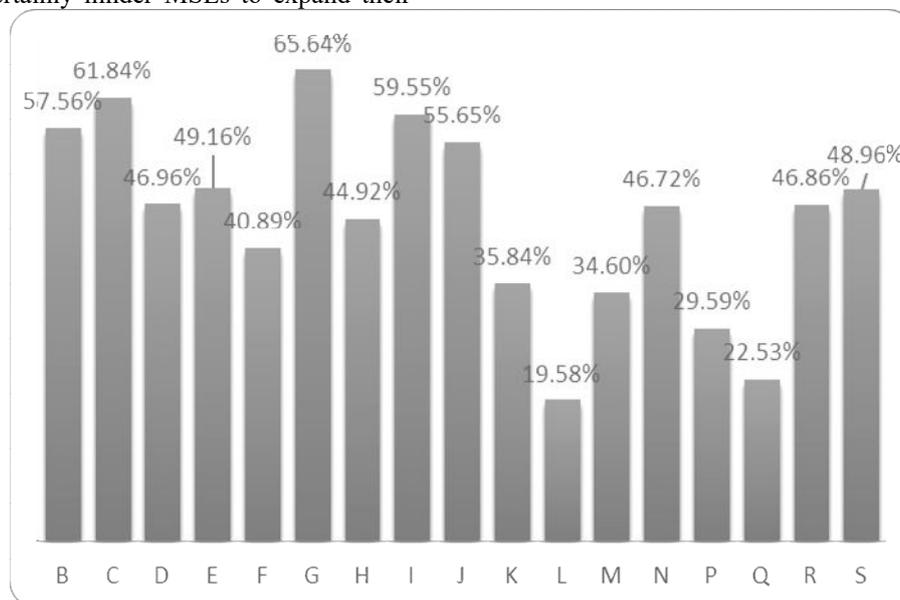
The Institute of Indonesian Banking Development and Bank of Indonesia (2015) explained about the lack of Micro and Small Enterprises (MSEs) is the access to financial institutions/banks. In [5] stated that MSEs have several problems faced such as the limited entrepreneurial spirit of entrepreneurs, low competency in human resources, limited access to financial institutions, and lack of guidance [6]. Further, [7-19] added that the majority of MSEs were not registered, so they did not have access to taxes or government programs. These limitations will undoubtedly hamper the performance of MSEs in Aceh province, whose role as vital for the regional economy, especially for residents of the middle to lower economic scale. In principle, on running every business, one crucial component which needed to open a business is capital. It is crucial for running company operations — three types of capital i.e. namely investment, working and operational capitals. Each company needs working capital to maintain its operations any time, for instance, paying employee salaries, spending raw materials, and paying labor costs [15].

Numerous businesses that are a small, medium and large scales faced the same issue is capital accessibility and availability. Without sufficient capital, the company often suffer losses and even experiencing bankruptcy. However, to obtain the capital is a pretty tough challenge, at least not all businesses can get the capital they needed quickly. The issue of capital accessibility is crucial, because not all regions have access to financial institutions to apply for financing/credit and finally some entrepreneurs choose to look for alternative loans from other sources. Time and technology have led to various options for capital sources emerging in the community lately and starting from individual loans, cooperatives, financial

institutions, to online application-based loans. Sometimes the loan programs are the government programs that aims to increase the productivity and Regional Domestic Product among the people of Indonesia [16].

As stated in the National Medium Term Development Plan report in 2015-2019, increasing access to finance and expanding financing schemes for MSEs is one way to improve business competitiveness. Thus, an analysis of capital accessibility is crucial to investigate whether government programs and policies formed have positive outcomes for MSEs and also identify the factors that affect the low access to finance or capital sources. Capital is a source of funding for MSEs and also a significant obstacle to business competition. Based on SE2016-advanced results, more than 40 percent of MSEs stated that they have capital constraints, higher than other problems. Capital problems will certainly hinder MSEs to expand their

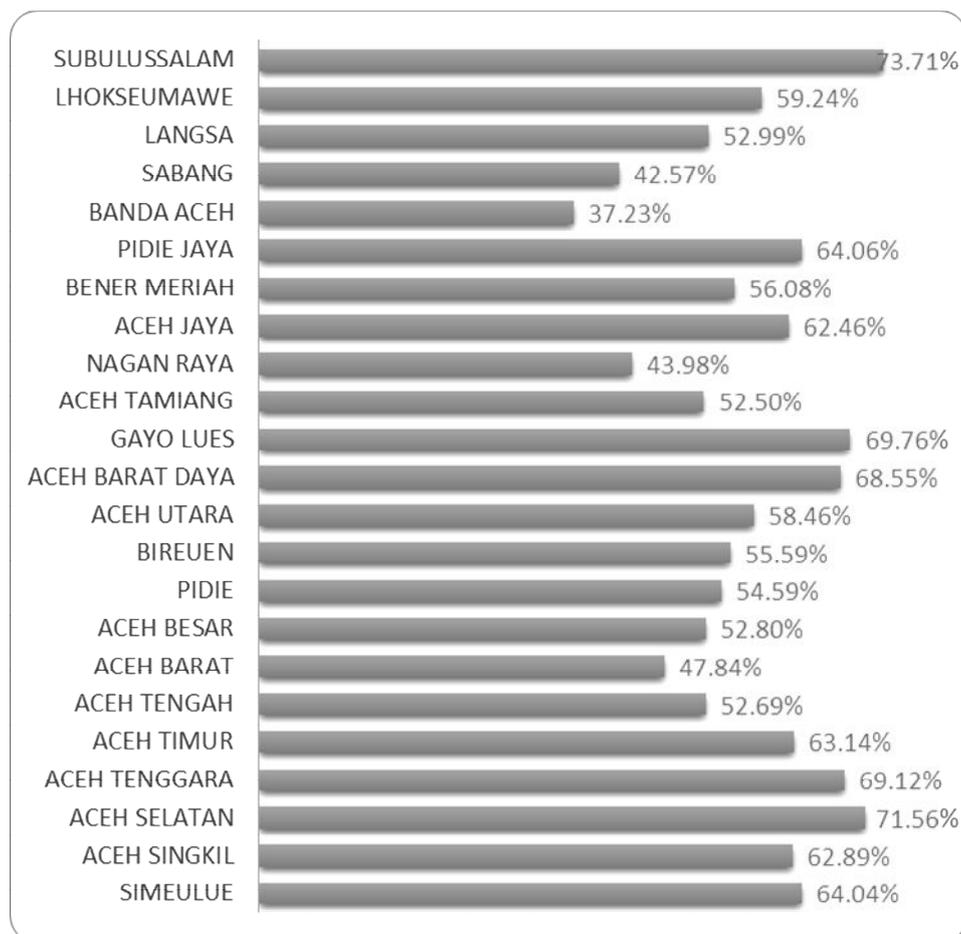
businesses and increase their level. The main problem with capital is access to finance. G Category (Trade) complained mostly about capital problems. Also, C Category, there many capital problems faced by entrepreneurs in the manufacturing industry sector, food and beverage sector and accommodation (I category) and others. The industrial sector has a crucial capital role related to the supply of raw materials for production. For MSEs in the manufacturing sector, the role of capital available for the supply of raw materials dramatically influences turnover and profits to be received. Also, there are still many industrial entrepreneurs who use machine services as a substitute for skilled workers. Besides that, capital is also very closely related to the purchase and maintenance of capital goods as the primary production tools.



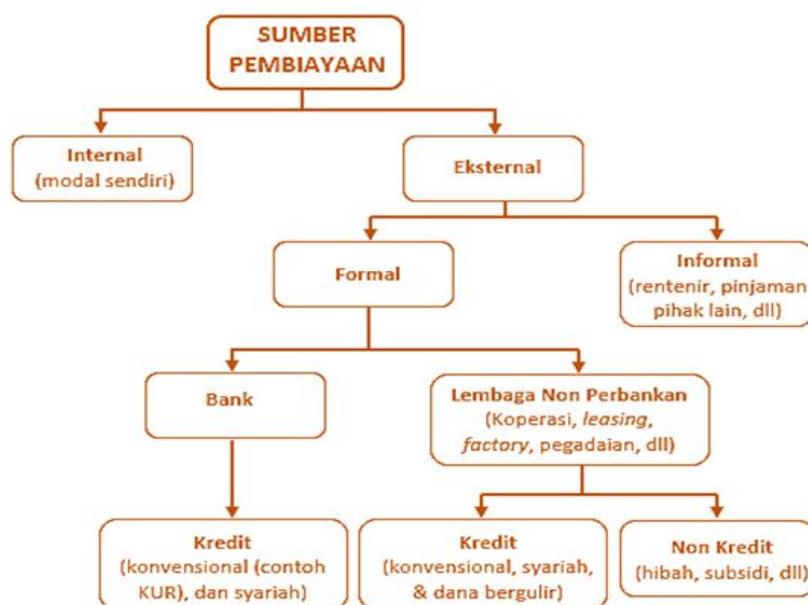
**Figure 1.** The percentage of capital restrictions of MSEs by business categories at Aceh Province in 2017

The existence of a processing machine can reduce the cost of production commonly used to labor expenses. Other benefits are also a consideration of the speed of production and long-term investment. Entrepreneurs in the food and beverages supply and accommodation sector (I category) is also the third most experienced capital problems. Purchases of raw materials, rentals, purchases of movable and immovable assets as well as maintenance costs and workers' wages make a significant contribution to expenditure. Sometimes the capital spent only enough to purchase raw materials and workers' wages so that many businesses collapse when the company does not meet the turnover needed and even cannot pass the break event point. In Aceh province, capital problems experienced by all districts/cities and the most prominent capital problems were in Subulussalam City by 73.71 percent, followed by the South Aceh district by 71.56 percent and Gayo Lues by 69.76 percent.

Geographically, the two regions are adjacent to each other and have a considerable distance from the provincial capital, Banda Aceh City, with an average travel time of 9-12 hours. Besides, the three regions have relatively high contour plains so that they affect road access to the regency/capital city which is also quite far away. The area of Subulussalam and South Aceh directly bordered by the sea and the hills and mountains. One type of business that characterizes South Aceh is processed nutmeg. Gayo Lues Regency located in the central part of Aceh province and mountains surrounds its territory. One of the MSEs processing industry products that most commonly found in the citronella oil industry. The challenges and capital problems for each business classified as Micro and Small Enterprises (MSEs) are given several solutions, one of the efforts already done is to add several institutions or parties as sources of financing. Sources of financing can be from the entrepreneur's own capital (private) or other parties (external).



**Figure 2.** The percentage of capital restrictions of MSEs by Regency/ City at Aceh Province in 2017



**Figure 3.** SMEs Financing Source Scheme

The SE2016 report shows that the majority of MSEs spend more than half of their initial capital from their property. It happens in all types of business activities with a percentage of more than 90 percent. While MSEs that rely on initial capital from banks only reach 8 percent (Table 1). The low percentage is due to

access to the bank considered not secure. For banks, tighter prudent policies are essential to maintain financial stability. Also, MSEs lack information related to business financing loans. These factors are the cause of the limited access of MSEs to credit from banks. The lowest self-ownership capital is in the K (Financial Sector) business category. It is very reasonable

considering that usually financial institution businesses, especially banks, have a centralized business structure, so that regional bank branches receive capital supply from the central bank. Besides,

in banking, these banks receive capital/funds from the central bank (Bank Indonesia).

**Table 1.** The percentage of Initial Capital Composition of Business by Categories at Aceh Province in 2017

Category (es)	>= 50% No Loan	>= 50% Bank Loan	>= 50% Non-Bank Loan	1-50 % Individuals or Families Loan
(1)	(2)	(3)	(4)	(5)
B	95,38	2,10	0,00	10,50
C	95,62	2,55	0,50	16,50
D	90,61	6,63	3,87	14,92
E	94,41	1,68	0,56	21,79
F	96,82	1,38	0,21	16,10
G	93,36	5,02	0,62	16,60
H	90,32	2,83	1,25	16,64
I	95,45	2,70	0,40	15,49
J	94,18	2,91	0,47	17,81
K	61,06	0,44	19,03	11,50
L	97,12	1,21	0,30	13,96
M	89,15	8,21	0,59	11,73
N	87,09	7,11	0,77	14,66
P	71,06	0,07	4,97	10,87
Q	86,86	2,05	0,85	10,07
R	87,43	8,12	0,79	12,83
S	94,52	3,00	0,52	15,99
Total	32243	1207	307	5499

The development of the digital world is currently providing a stimulus for the establishment of nonbank financial institutions that can provide online loan services with the lure of a faster process than banking and without collateral. However, the obstacle faced by MSEs to access credit is very high interest. Also, the current financing system is starting to lead to a financial technology (Fintech) system. In the distribution of financing, Fintech is no longer through intermediaries, but directly to the borrowers. Go forward, this system will continue to be a trend because its distribution is considered more accessible. Figure 4, only a small number of MSEs in Indonesia need credit as their principal business capital. It is quite useful because it can increase the power of independence as well as capital resilience from the MSEs itself. However, of the many MSEs who submitted credit proposals, there were still around 12.31 percent of MSEs whose proposals rejected.

There are many considerations for creditors to accept/reject credit proposals, but certainly the rejected proposals will make the public think that applying for credit is complicated and convoluted so that the impact on the number of credit applications received from MSEs is still relatively low. Although there are various types of formal financing sources outside the bank, MSEs access to credit is quite low. Only about 17 percent of MSEs obtain credit from financial institutions (Figure 4). The majority of MSEs rely on their capital or from informal sources, one of which is moneylenders. For MSEs who do not obtain credit from financial institutions, half of them feel that they do not need to apply for credit. The other half of MSEs require credit, but the reason is that the interest rates are high, they do not have collateral, do not know procedures, complicated procedures, and the proposal is rejected (Table 2).

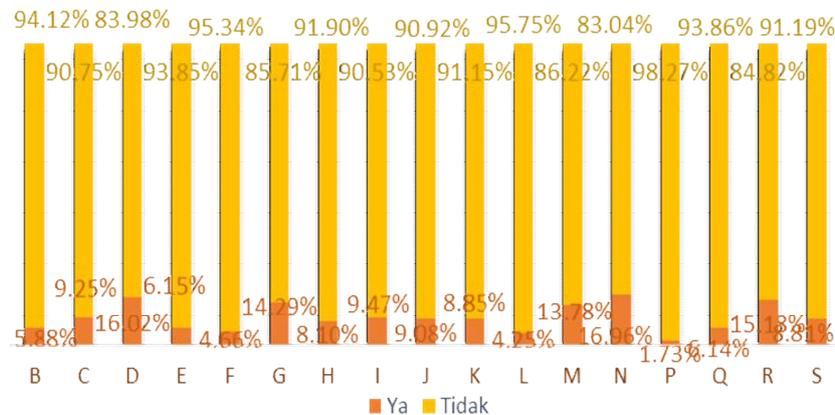


**Figure 4.** The number of credit applied by MSEs in 2017

Note: \*) Not apply for credit due to high rate of interest, no collateral, no knowledge and complicated procedures

The Ministry of Trade (2013), illustrated the small percentage of MSEs that do not obtain credit because there are three main obstacles from the aspect of

financial institutions, namely the difficulty of assessing MSEs that meet the requirements outlined in granting credit; MSEs low interest in the efforts of coaching by financial institutions, most of the MSEs financial management still does not separate personal finance from business.



**Figure 5.** The percentage of credit from financial institutions obtained by MSEs by Category at Aceh Province in 2017

On the other hand, access to financial institutions is the top priority in lending. Government policies in granting credit access to MSMEs have been very open, through several regulations, financing for MSMEs has been made easier. Bank Indonesia has required commercial banks to provide credit or financing to MSEs [8].

Through the regulation, the government requires commercial banks to allocate credit to MSMEs at a minimum of 10 percent of the total loans disbursed starting in 2016. Social Business Loan (KUR) is a loan intended for MSMEs. It is credit/financing provided by banks to MSEs that are feasible but not yet bankable.

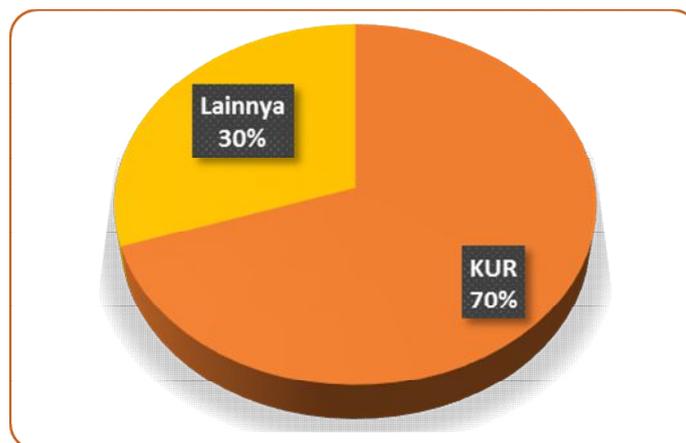
**Table 2.** The number of MSEs are no financing by category and cause at Aceh Province in 2017

Kategori	Tidak Tahu Prosedur	Prosedur Sulit	Tidak Ada Agunan	Suku Bunga Tinggi	Usulan ditolak	Lainnya	Total	
B		24	26	46	5	91	238	
C		672	709	1056	2127	136	3924	8624
D		5	15	15	35	2	109	181
E		17	15	33	34	3	77	179
F		58	73	121	229	15	448	944
G		572	912	1215	2807	164	5409	11079
H		93	153	315	413	37	828	1839
I		242	384	591	1177	55	2322	4771
J		35	74	102	214	12	422	859
K		2	13	13	36	5	157	226
L		16	51	23	148	7	414	659
M		10	23	19	74	5	210	341
N		20	72	54	184	20	564	914
P		33	83	107	163	12	991	1389
Q		12	34	32	92	7	409	586
R		6	39	35	76	7	219	382
S		78	110	216	301	29	798	1532
<b>Grand Total</b>		<b>1895</b>	<b>2786</b>	<b>3993</b>	<b>8156</b>	<b>521</b>	<b>17392</b>	<b>34743</b>

The purpose of Social Business Loan (KUR) is to improve and expand bank services to productive MSEs, increase the competitiveness capacity of MSEs, encourage economic growth and employment, and reduce poverty. As of January 1, 2018, the KUR loan interest rate effectively reduced from 9 percent to 7 percent based on the Coordinating Minister for

Economic Affairs Regulation (Permenko) No. 11 of 2017. For MSEs, KUR is a primary source of credit receipts through banks. Data from SE2016 Advanced shows that more than two-thirds of MSEs borrow from banks through KUR (Figure 3.7). KUR distribution continues to increase. In 2017 KUR disbursement to micro and small business owners reached 96.7 trillion (in IDR) with debtors reaching 4.41 million people

(Table 1.2). This number increased from the previous year, but the realization of distribution was only 87.9 percent of the target (110 trillion).



**Figure 6.** The percentage of MSEs obtain Social Business Loan (KUR), 2017 Aceh Province

The Ministry of Cooperatives and MSEs, the percentage reduction in credit disbursement from the 2017 target because of the banks as creditors still faces several obstacles such as many prospective debtors who are not yet bankable and the bank's prudence to maintain credit quality. Besides, the debtor postponed his loan because he heard information that the KUR interest rate would drop to 7 percent in 2018 (financial.bisnis.com, 2019). For MSEs, Micro

Business Loans (KUM) can be an alternative source of funding other than KUR because of these loans intended for MSEs. KUM is a service product of financial institutions, both banks and cooperatives. If the KUR can reach 2 billion, but KUM is only IDR 5 million to IDR 100 million. Determination of the credit limit is very dependent on the policies of financial institutions lending.

**Table 4.** The Realization of Social Business Loan (KUR) at Indonesia in 2012-2017

Year	2013	2014	2015	2016	2017
The amount of credit/ loan (IDR, in trillions)	40,8	39,2	22,8	94,4	96,7
The number of debtor (in billions)	2,34	2,44	1,00	4,36	4,41
The realization percentage of target (Percent)	-	-	75,6	94,4	87,9

In total, MSE loans in 2017 disbursed to reflected in the value of the debit tray amounted to 540 trillion (in IDR) or around 11 percent of the approximately 4.4 billion rupiahs in total debit tray disbursed to the business world. The debit tray is the remaining principal of the loan excluding interest and penalties. While the number of MSEs credit accounts recorded at 10 million in 2017, an increase of almost 1 million

accounts from 2012 (Bank Indonesia, 2018), judging from the scale of its business, the growth of MSEs micro-credit is the highest among small and medium-sized businesses. Its growth has more than doubled during the 2012-2017 period (Table 3). This increasing expected to be a positive indication of bank participation in order to help MSEs in the capital of Indonesia.

**Table 3.** The Credit Debit Tray and Net Performing Loan (NPL) of Micro and Small Enterprises by Business Scale in 2012-2017

	Micro-Enterprise		Small Enterprise		Medium Enterprise	
	2012	2017	2012	2017	2012	2017
Debit Tray (trillion in IDR)	113,75	245,12	169,89	295,64	268,59	440,69
Growth of Debit Tray 2012-2017 (in percentage)		115.49		71.02		64.08
Net Performing Loan/NPL (%)	3,24	2,82	4,78	4,38	2,59	5,16

The level of non-performing loans reflected in the micro-scale enterprise NPL data is also the smallest compared to small and medium enterprises (Table 1.3). NPL of micro-scale enterprises also experienced a decline compared to small businesses which were relatively similar. Bad credit is a phenomenon that cannot be ignored and efforts are needed to resolve it, so that it does not have an impact on MSEs credit liquidity because it will disrupt the smooth and

sustainable business. After a previous description of some of the obstacles that have arisen concerning capital at MSEs, the next is examining how significant is the role of financial institutions, including banks in providing capital access to MSEs in Aceh province? To get access to capital from financial institutions is measured based on several variables that affect the receipt of financing, namely location, status of business entities, associations, certificate ownership, business partnerships, experts, length of operation, internet

usage, financial statements, business systems, cooperative membership, Minimum Wages Regional (MWR), and business scale.

## 2. Literature Review

The capital originating from formal financial institutions (banks, cooperatives, venture capital) is still relatively inaccessible to small micro-businesses in Indonesia, including Aceh. The most common problem based on the results of SE2016-adv as the most significant cause of business owners not getting capital from financial institutions is the high-interest rate applied by banks. It is made clear by the difference between the interest rates that must be paid between customers and non-customers (non-payroll), where non-customers tend to pay higher interest rates. Coupled with the sanctions and fines that must be paid if there is a delay in making deposits. Also, the level of public knowledge about the actual procedures in the loan application process is still very minimum. Urban communities may more and more easily access loans to financial institutions, in contrast to rural communities which still use conventional transactions. It compounded by the fact that there is still business owners who consider that the procedures implemented are challenging to follow.

Lakshmi and Murugan (2009) [9] stated that there are three main factors of bank institutions that affect the capital structure of MSMEs, namely the interest rate, services, and credit procedures. Based on empirical data from various studies, most MSEs in various countries, especially developing countries, find it difficult to get loans from banks. This condition is due to various credit procedures, interest rates and types of services determined by the bank. This obstacle is exacerbated by the applicable laws and regulations which require banks to extend credit using the principle of prudence or credit security provisions. Further, [13,14] state that the existence of agency problems such as information asymmetry and moral hazards can affect access to financial resources which ultimately affects the capital structure of the company. Because of the agency problems, the Pecking Order Theory emerged which emphasized that the company will first optimize the internal funding sources for investment, before deciding to use funding sources that come from debt and equity [10]. Costs incurred by the company to invest through the capital market will be higher than if the company decided to debt as one of the funding options. MSMEs will choose to use debt because of a lack of internal funds and the inability to access capital through the stock market.

Based on the finding of [11] analyzed the accessibility of lowland rice farmers to capital sources and the factors that influence them in Banten province, shows that the majority of lowland rice farmers in Banten province use business capital sourced from their capital or with loans from informal financial institutions. While loans from formal financial institutions such as banks and government credit programs are still less than optimally accessible, other factors that affect

farmers' accessibility to capital sources are the character of farmers, farmer education, collateral existence, farmer group membership, previous loan experience, credit scheme procedures/requirements, credit policies and socialization, and financing facilitators. In [5-7] explains some of the principles of credit with the 5C analysis, including Character, Capacity, Capital, Collateral, and the Condition of Economy In addition to the five principles, In [20] also describes the credit rating with 7 P, namely personality, party, purpose, prospect, payment, profitability, and protection.

Another variable that needs attention is the partnership between the entrepreneur and the partner. Businesses that have formed a partnership are generally bound in a business agreement. In his research, [21] states that in addition to the entrepreneur's gender, non-financial factors that affect MSEs capital access are the existence of relationships or work partners, such as suppliers of input goods. Further, [22] stated that the resources such as alertness of entrepreneurial, knowledge, and ability become their own right. The longer MSMEs have relations with suppliers, the more convenient access to banking will be. The implication is that MSME development efforts e focused on developing the expertise of MSME entrepreneurs in communication and information to develop active networking. In [12] analyzed the business characteristics of the accessibility of banking financing to micro and small businesses in the province of East Java, stating that there was a positive and significant relationship to the characteristics of MSEs on access to bank credit. These characteristics include market share of business products, business sectors and scale, length of business of operation, and business ownership status.

In [20-22] confirm the findings in previous studies that the level of education, asset ownership, and the position of entrepreneurs as managers have a real and positive influence on formal financing in Bogor district. Food industry entrepreneurs who have assets more than 50 million will have more significant accessibility opportunities for informal sources of financing. It means that the accessibility of entrepreneurs to formal sources of financing increases with the increase in the entrepreneur's wealth. The position as manager will have more time and opportunity to obtain information about sources of financing and have more extensive opportunities in doing good networking with the market so that the entrepreneur's position as manager will have greater access to formal sources of funding. The government's alignments in encouraging micro-small businesses to join in a community media such as associations and cooperatives strongly support smooth performance, easy access to information, expansion of business networks that have a positive impact on access to capital from formal financial institutions. Besides, the government can also provide special schemes that provide opportunities for MSEs to expand its sales network to foreign markets. It hoped that with the guarantee of a sales area that supplies to foreign

countries, the capital scheme of financial institutions would be more interested in pouring out their investments. With more extensive internet accessibility, of course, there can provide information to MSEs entrepreneurs related to government policies concerning capital.

In addition, with the increase in internet-based sales schemes or e-Commerce, making MSEs a potential business area to be developed and targeted by capital investment schemes from financial institutions. [4] analyzes MSME preferences towards sharia financing in the city of Depok. The results show that the factors that influence access to KJKS financing are the number of family members, length of business, and total assets. The dependent variable that is significant to the development of turnover is the frequency of financing, the amount of financing, and the term of financing.

### 3. Research Methodology

The cross-section data derived from the Economic Census (SE2016) in Aceh province in 2017 covering 23 MSEs districts/cities, as many as 34 thousand selected MSEs units. The analytical model is the logistic regression. It is part of the regression analysis used when the dependent variable (response) is dichotomous. It variable usually consists of only two values, representing the occurrence or absence of an event usually given the number 0 or 1. Unlike linear regression, logistic regression does not assume the relationship between the independent and dependent variables linearly. Logistic regression analysis used to identify the effect of MSME characteristics on the accessibility of bank credit. Logistic regression often used to analyze the relationship between dichotomous dependent variables or independent dichotomous variables because they are flexible if there is a violation of the assumption of normality in a model. Logistic regression used to predict the behavior of discrete, dichotomous and continuous dependent variables of several independent variables. For supporting the statistical analysis, this study uses the Statistical Package for Social Science (SPSS). The logistic regression model equation as seen as follows:

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

Where  $p$  is the possibility that  $Y = 1$ , and  $X_1, X_2, X_3$  is an independent variable, and  $\beta$  is the regression coefficient.

Logistic regression is a predictor/response variable ( $\log(p / (1-p))$ ) is a linear combination of the independent variables. The value of this predictor variable has transformed into a probability with a logit function. Logistic regression also produces an odds ratio associated with the value of each predictor. The odds of an event defined as the probability of an outcome occurring divided by the probability of an event not occurring. Generally speaking, the odds ratio is a set of opportunities divided by other opportunities. The odds

ratio for predictors is the number relative where the probability of yield increases (odds ratio > 1) or decreases (probability ratio < 1) when the value of the predictor variable increases by 1 unit.

Further, to determine the effect of independent variables on the dependents variables together (overall)

$H_0 : \beta_1 = \beta_2 = \dots = \beta_p = 0$  in the model, we can use the Likelihood

Ratio Test. The hypothesis is as follows:

(there is no simultaneous effect of the independent variable on the dependent variable)

$H_1 : \text{minimal ada satu } \beta_j \neq 0 ; j = 1, 2, \dots, p$

(there is an influence of at least one independent variable on the dependent variable). In general, the purpose of statistical analysis is to find a suitable model and strong linkages between the model and existing data. Partial significance test (coefficient  $\beta$ ) can set up through the Wald Test with the following hypothesis:

$H_0 : \beta_j = 0$  (the  $j$  independent variable does not have a significant effect on the dependent variable)

$H_1 : \beta_j \neq 0$  (the  $j$ th independent variable does not have a significant effect on the dependent variable)

### 4. Results and Discussion

The study investigated the implication of the supply chain strategy in MSEs. Applying the logistic regression analysis for 34 thousand selected Micro and Small Enterprises, The results show that the relationship between the independent variables in the column to one dependent variable (receive the financing) from financial institutions. Further, the ".sig" column explains whether these variables significant different on "capital", in this case a 95 percent confidence interval is used and alpha is 5 percent. The "Odds Ratio" column explains how likely it is that businessman will receive "capital" from financial institutions in terms of each "variable". The odds ratio is interpreting as how many times the likelihood/ probabilities that the business owner will receive capital (financing) from a financial institution based on specific variables, with other variables considered constant. The estimation results of the model show that with a 95 percent confidence level, four variables have no significant difference, namely location, certificate ownership, financial statements and business systems. Although these variables not significant differences, it shows how the "opportunities" of the four variables. The rest is "expert" describes the number of workers who have certificates of expertise, and the "duration" variable that explains the business period that has been running in units of years, both of which are continuous variables that have a "ratio" data type while nine other variables have a significant difference.

**Table 4.** The Estimation Results of Odds Ratio for MSEs Capital Accessibility

Variable	Sig.	Odds Ratio
Location (1)	0.408	0.971
Business Status (1)	0.000	1.504
Association (1)	0.000	0.523
Certificated Owned (1)	0.194	0.857
Business Partnership (1)	0.000	1.755
Membership (1)	0.000	0.992
Duration of Operating Business (1)	0.000	0.983
Internet Usage (1)	0.047	1.118
Financial Report (1)	0.070	0.881
Business System (1)	0.056	1.225
Cooperatives memberships(1)	0.000	3.451
Regional Minimum Wage (1)	0.000	1.227
Business Scale (1)	0.000	1.565
<b>Constant</b>	0.000	0.085

Table 4 illustrates the estimation results for the odds ratio of MSEs access for financial institutions. The results of the analysis show that the location has an odds ratio of less than "1" which means that there is almost no difference between the status of the business location both in urban and rural areas about financing. Similarly, the business status has the odds ratio as much as 1.504, it means that there 1.5 times a chance for businesses (MSEs cooperatives) to receive financing compared to non-cooperative businesses. Further, the association has a negative trend, the value of odds ratio is 0.523 times for businesses incorporated in an association to receive financing compared to the businesses which not incorporated into the association. The negative trend also showed by certificate ownership, whereas the entrepreneurs who have a business certificate tend to receive financing from financial institutions by 0.857 times lower compared to businesses that do not have a certificate.

The business partnerships have significant differences between the possibilities of a business that has a partnership with one and not, there are 1.755 times the business will be received funding from financial institutions for businesses that have a partnership compared to do not. The expert, duration of the operating and financial report has a negative trend. However, the value of the odds ratio is still close to 1. It concludes that there is no significant difference number of skilled workers, years of operation of the company, and the ownership of financial statements. A very significant difference shown in the variable "cooperative membership" which illustrates that for micro small businesses (MSEs) who are members of cooperatives have a 3.451-fold opportunity to receive funding from financial institutions compared to non-cooperative membership.

## 5. Conclusion

Consequently, firms and businesses are always under the pressure of adopting working and reliable SCM strategies in order to overcome these challenges and for better SCM. Capital is the main elements that must be owned by businesses or enterprises for the production process. Therefore, access to financial institutions is vital for MSEs to increase their business capacity. Unfortunately, only a few businesses obtained financing by non and banking

institutions. The reason why MSEs did not obtain financing by financial institutions was a high rate of interest, no collateral, no knowledge of procedures, complicated procedures, and the proposal was rejected. In conclusion, there two main factors that cause the MSEs entrepreneurs obtained financing (credit) by financial institutions, namely cooperative membership and partnerships with other companies. Also, the characteristics of entrepreneurs and businesses become a distinguishing factor between businesses that have financing (credit) and not. These factors are the scale of the business, the status of the business entity, internet usage, and duration of the operation. MSEs that have long operated and already have a business entity form, have more significant opportunities to obtain financing/credit from banking or another financial institution. It clearly illustrates that MSEs are members of cooperatives who have a substantial possibility for obtaining financing from banking which compared to non-members. Besides, business networking (business partnerships, internet usage, associations) are also very crucial. It is because the MSEs have lack of assistance and counseling. The assistance is beneficial for MSEs entrepreneurs to increase their knowledge about business development. One type of assistance is to make financial reports as one of the requirements to get capital from banking institutions. For that, this study recommends improving the capability of MSEs are becoming the cooperative's membership. In line with the issue of MSEs deficient access for financial institutions, it caused by the requirements for obtaining financing (credit) is very complicated. One of them is the MSEs requires the availability of financial reports. Only 5 percent of MSEs made the financial reports. Thus, to increase the accessibility of MSEs for formal financial institutions, this study recommended to strengthening the role of microfinance institutions and cooperatives. The role of cooperatives in providing capital is proven to have the most significant effect.

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