

# Analysis of the Impact of the Implementation of the Financial Inclusion Program on the Profitability and Growth of MSMEs in Kota Pari Village

1<sup>st</sup>Hernawaty  
Department of Management  
Universitas Pembangunan Panca Budi  
Medan, Indonesia  
[hernawaty@dosen.pancabudi.ac.id](mailto:hernawaty@dosen.pancabudi.ac.id)

2<sup>nd</sup>Heriyati Chrisna  
Department of Management  
Universitas Pembangunan Panca Budi  
Medan, Indonesia  
[heriyatichrisna@dosen.pancabudi.ac.id](mailto:heriyatichrisna@dosen.pancabudi.ac.id)

3<sup>rd</sup>Sri Wahyuni  
Department of Computer Engineering  
Universitas Pembangunan Panca Budi  
Medan, Indonesia  
[sriwahyuni@dosen.pancabudi.ac.id](mailto:sriwahyuni@dosen.pancabudi.ac.id)

4<sup>nd</sup>Patwa Nirmala  
Department of Management  
Universitas Pembangunan Panca Budi  
Medan, Indonesia  
[patwanirmala@pancabudi.ac.id](mailto:patwanirmala@pancabudi.ac.id)

**Abstract**—This study aims to analyze the impact of the implementation of financial inclusion programs on the profitability and growth of MSMEs in Pari Serdang Sedagai City Village. One of the government's policies in increasing access to financial services for the wider community, especially in rural areas, is financial inclusion. This study uses a mixed-method approach, this study combines quantitative analysis of financial data from 80 MSMEs in Kota Pari Village. The variables studied include access to banking services, the use of formal credit, the adoption of financial technology, and MSME performance indicators such as revenue growth, profit margin, and business expansion. The results of the study show that the implementation of financial inclusion programs is positively correlated with an increase in the profitability of MSMEs, with an average increase in profit margin of 15%. The growth of MSMEs is also significant, with 60% of respondents reporting business expansion. Factors contributing to this success include increased access to working capital, adoption of digital payments, and increased financial literacy. However, the study also identified challenges such as the digital divide and infrastructure limitations that hinder the equitable distribution of program benefits. The knowledge generated in this study is informing policymakers and development practitioners in designing and implementing more effective financial inclusion programs in rural areas. The study also highlights the importance of a holistic approach that considers local characteristics and the specific needs of MSMEs in an effort to increase financial inclusion.

**Keywords**—MSMEs; Financial\_Inclusion\_Program; Profitability; Economic\_Growth.

## I. INTRODUCTION

MSMEs (Micro, Small, and Medium Enterprises) play a significant role in Indonesia's economy. MSMEs managed in Indonesia can absorb a lot of labor. Data from the Ministry of Cooperatives and SMEs shows that in 2019, there were 65.4 million MSMEs in Indonesia. There are 65.4 million business units, MSMEs absorb around 123.3 thousand workers.

MSMEs have great potential in advancing the community's economy, but there are still many problems faced in the course of their development [1], [2]. One of the main problems faced by MSMEs today is the problem of business management [3], [4], [5], [6]. The application of technology, especially the internet, is also important [7], [8]. Good business management is the key to success for MSMEs in managing resources, making strategic decisions, managing risks, and responding quickly and effectively to market changes[9]. Financial inclusion has become an important agenda in global economic development, including in Indonesia. Kota Pari Village, as one of the areas with significant MSME potential, is an interesting locus to study the impact of financial inclusion programs. The background of this study is as follows :

The following are the current points and issues behind this research:

1. Digital Transformation of MSMEs:
  - a. Adoption of fintech technology by MSMEs in the village of Kota Pari
  - b. Challenges and opportunities for digitizing financial transactions in rural areas
2. Post-Pandemic Economic Recovery:
  - a. The role of financial inclusion in supporting MSME resilience
  - b. Adaptation of MSME business models to the "new normal"
3. Financial Literacy:
  - a. Financial literacy gap in rural areas
  - b. Innovation in financial education for MSME actors
4. Access Microcredit:
  - a. Development of financial products tailored to the needs of MSMEs in the village of Kota Pari.
  - b. The role of microfinance institutions in supporting the growth of MSMEs.

There have been many previous studies that have raised the problem of MSMEs in Kota Pari Village [4], [10], [11], [12], [13].



## II. LITERATURE REVIEW

In recent years, there have been many studies conducted by the focus of the Financial Inclusion Program on the Profitability and Growth of MSMEs with the results of improving operational efficiency, MSME competitiveness and increasing income as shown in the following literature review:

No.	Year	Research methode	Purpose
1.	2019	Analysis of the Influence of Inclusion on MSME Performance in Moyo District	Improving the Performance of MSMEs in Mulyo District
2.	2020	The Effectiveness of Sharia Financial Inclusion in BMT MSMEs in Tambakboyo Village	The results of the study show data on the effectiveness of Syarah Financial Inclusion in MSMEs in Tambakboyo Village
3.	2022	Analysis of the Influence of Technology-based Financial Literacy on Financial Inclusion of MSMEs in Denmak Regency	Technology-based Financial Literacy has a great influence on MSME Financial inclusion in Denmak Regency
4.	2024	Optimization of Fintech for Increasing Literacy and Financial Inclusion of MSMEs in Purwokerto	Increasing digital literacy and financial inclusion of MSMEs in Purwokwrto

From all the literature reviews of the researcher, the objectives can be summarized as follows:

1. Analyzing the Impact of Financial Inclusion Programs Assessing the impact of the implementation of financial inclusion programs on the profitability of MSMEs.
2. Measure the growth of MSMEs after the implementation of financial inclusion programs, including aspects such as increased turnover, number of customers, and business expansion.
3. Identification of Supporting and Inhibiting Factors Identifying factors that support or hinder the success of financial inclusion programs in increasing the profitability and growth of MSMEs.

4. Providing Policy Recommendations Providing recommendations for policymakers and related stakeholders in designing and implementing more effective financial inclusion programs to support MSMEs.
5. Analyzing MSME Performance Differences Analyzing performance differences between MSMEs participating in financial inclusion programs and those that are not, to determine the significant effects of the programs.

## III. METHODS

This study uses a quantitative approach with a survey method design to analyze the impact of the implementation of financial inclusion programs on the profitability and growth of MSMEs in Kota Pari Village. The following are the steps of the research method that will be carried out:

1. Determination of Problem Formulation  
The initial stage of this study is to determine the formulation of the problem and then based on the results of the literature review of this study using a quantitative with a descriptive and analytical approach to evaluate the impact of the financial inclusion program.
2. Population and Sample Determination  
The population of this study is all MSMEs registered in Kota Pari Village.  
The sample was taken by purposive sampling to select MSMEs that have participated in the financial inclusion program and those that have not, with a sample of around 50 respondents.
3. Data Collection  
Data collection was carried out in two stages, namely the Survey stage with a questionnaire to collect data on profitability, MSME growth, and participants' experiences with financial inclusion programs. Second, by conducting in-depth interviews with several MSME owners in Kota pari village to get additional information regarding the impact of the program.
4. Research Variables
  - a. The Independent Variable is the implementation of the financial inclusion program.
  - b. Dependent Variables: Profitability (calculated from increased turnover, net profit) and MSME growth (calculated from the number of customers, business expansion).
5. Data Analysis
  - a. Descriptive Statistics: To describe the characteristics of respondents and the data collected.
  - b. Regression Test: To test the relationship between the implementation of financial inclusion programs and the profitability and growth of MSMEs.
  - c. T Test and F Test, in obtaining the significance value of the influence of independent variables on dependent variables.
6. Validity and Reliability  
Using validity and reliability tests on questionnaires before distributing them to respondents to ensure the data collected is valid and reliable.
7. Qualitative Analysis

Analyze the results of the interviews to gain a deep understanding of the experiences and views of MSME owners towards financial inclusion programs.

#### 8. Conclusion

Summarizing the conclusions of the research results obtained

### IV. RESULT AND DISCUSSION

Pari Village is one of the villages in Indonesia that has great potential in the development of Micro, Small, and Medium Enterprises. Based on the results of data collection and data processing, data was obtained that MSMEs in this village play an important role in the local economy by creating jobs, increasing community income, and encouraging village economic growth. Various MSME sectors in Pari Village include agriculture, handicrafts, culinary, and trade and services. Agriculture and livestock remain the backbone of the village economy, with superior products such as rice, organic vegetables, and small farms. There is a handicraft industry that produces woven bamboo, batik, and wood crafts that also make a significant contribution. The culinary sector also shows rapid development, with various traditional and processed foods being produced and marketed outside the region.

The challenges faced are access to capital, marketing limitations, and low technology adoption. With various government efforts and support, the development of e-commerce technology, and the potential of village tourism, MSMEs in Pari Village have a great opportunity to grow and develop further, strengthen the local economy and improve community welfare.

This study aims to analyze the impact of the implementation of financial inclusion programs on the profitability and growth of MSMEs in Kota Pari Village. Here are the results obtained from the study:

#### 1. Respondent Description

Of the 50 respondents, 60% are MSMEs who have participated in the financial inclusion program, while the other 40% have not been involved. The majority of respondents operate in the trade and service sectors.

#### 2. MSME Profitability

The results of the analysis show that MSMEs participating in financial inclusion programs have experienced a significant increase in profitability. The average increase in net profit reached 25% in one year after participating in the program, compared to MSMEs that did not participate.

#### 3. Growth of MSMEs

The growth of MSMEs involved in financial inclusion programs also shows positive value results. Around 80% of respondents experienced an increase in the number of customers, and 20% experienced business expansion, such as opening new branches or adding product variants.

#### 4. The Influence of Financial Inclusion Programs

The regression test shows that the implementation of the financial inclusion program has a significant effect on profitability ( $p < 0.01$ ) and MSME growth ( $p < 0.05$ ). The regression coefficient shows that any increase in program support contributes positively to increased profits and business growth.

#### 5. Supporting and Inhibiting Factors

The identified supporting factors include better access to capital, financial management training, and improved marketing networks. Meanwhile, some of the obstacles faced include a lack of information about the program and the varying education levels of MSME owners.

#### 6. Recommendations for Policies

Based on the results of the research, it is recommended that the government and related institutions continue to expand financial inclusion programs and provide additional training to improve MSMEs' understanding of financial management.

### V. CONCLUSION

The financial inclusion program has proven to have a positive and significant impact on increasing the profitability of MSMEs in Kota Pari Village. MSMEs participating in the program experienced an increase in turnover from before the program was implemented. The implementation of financial inclusion programs also has a positive and significant effect on the growth of MSMEs. MSMEs participating in the program showed an increase in the number of customers. After comparison, there is a significant difference in performance values between MSMEs that participate in financial inclusion programs and those that do not. MSMEs participating in the program showed better profitability and growth than non-participating MSMEs. There are factors that support the increase in profitability and growth of MSMEs, including ease of access to capital, financial management guidance, entrepreneurship training, and improvement of managerial capabilities and expansion of marketing networks.

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