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The Role of Fintech in Financial Inclusion (Case Study of MSME Entrepreneurs in Surabaya)

Peran Fintech dalam Inklusi Keuangan (Studi Kasus pada Pengusaha UMKM di Surabaya)

[1]Dwi Arini Nursansiwi, [2]Armiani
[1]Universitas Mbojo Bima, [2]STIE AMM Mataram
*[1]arinidwi298@gmail.com, [2]armiani198431s3@gmail.com

**Corresponding Author*

ABSTRACT
This research aims to investigate the influence of certain factors on financial inclusion in Micro, Small and Medium Enterprises (MSMEs) in the City of Surabaya. The quantitative analysis method was used by collecting data through questionnaires from 100 respondents who were MSME owners. The research results show that financial risk factors have a positive and significant influence on financial inclusion, while the perceived usefulness and trust factors do not have a significant influence. These findings provide important insights for stakeholders in designing policies that support MSME financial inclusion in the city of Surabaya.
Keywords: Financial inclusion, Micro, Small and Medium Enterprises (MSMEs), Financial Risk, Perceived Usefulness, Trust

ABSTRAK
Penelitian ini bertujuan untuk menginvestigasi pengaruh faktor-faktor tertentu terhadap inklusi keuangan pada Usaha Mikro, Kecil, dan Menengah (UMKM) di Kota Surabaya. Metode analisis kuantitatif digunakan dengan mengumpulkan data melalui kuesioner dari 100 responden yang merupakan pemilik UMKM. Hasil penelitian menunjukkan bahwa faktor risiko finansial memiliki pengaruh positif dan signifikan terhadap inklusi keuangan, sementara faktor kegunaan persepsi dan kepercayaan tidak memiliki pengaruh signifikan. Temuan ini memberikan wawasan penting bagi pemangku kepentingan dalam merancang kebijakan yang mendukung inklusi keuangan UMKM di Kota Surabaya.
Kata Kunci: Inklusi keuangan, Usaha Mikro Kecil Menengah (UMKM), Risiko Finansial, Kegunaan Persepsi, Kepercayaan

1. Introduction

Financial inclusion and access to capital are essential for driving economic growth and development, particularly through supporting Small and Medium Enterprises (SMEs). SMEs are widely acknowledged as significant contributors to economic development (Gherghina et al., 2020; , "Designing a Model for Creation of Export Consortiain Business Cluster'', 2020; , Barjaktarović et al., 2015). These enterprises are crucial for most economies globally, especially in developing and emerging nations (Gherghina et al., 2020). However, SMEs often encounter challenges such as limited access to finance, which can impede their growth (Yoshino & Taghizadeh–Hesary, 2016).

Research has demonstrated that financial inclusion empowers economic agents to engage in productive activities, make long-term decisions, and manage unexpected shocks, ultimately fostering inclusive growth (Park & Mercado, 2015). Furthermore, enhanced financial inclusion for SMEs can result in improvements in their operational performance, the creation of job opportunities, and the enhancement of sustainable economic development (Bhattacharyya

et al., 2023). Access to capital is a critical factor for SMEs, as it is positively associated with their growth and productivity (Thathsarani & Jian-guo, 2022).

Moreover, the presence of educated human capital is vital for SME development, underscoring the crucial role of human capital in promoting economic growth (HRIVNÁK & MORITZ, 2021). Additionally, the development of SMEs necessitates intellectual capital, which can significantly impact business sustainability (Gross-Gołacka et al., 2020).

In conclusion, financial inclusion and access to capital are fundamental for SMEs in propelling economic growth and development. These factors not only bolster the growth and productivity of SMEs but also contribute to job creation, innovation, and overall economic advancement. Policymakers and stakeholders should prioritize enhancing financial inclusion, providing access to capital, and nurturing human and intellectual capital to ensure the sustained growth of SMEs and, consequently, the economy.

Table 1
Number of MSMEs in Surabaya City (2020-2022)

Year	Number of MSMEs
2020	122.647
2021	128.957
2022	135.267

Source: Dinas Koperasi dan Usaha Mikro Kota Surabaya, 2023

From data obtained from Dinas Koperasi dan Usaha Mikro Kota Surabaya, it was revealed that the number of Micro, Small and Medium Enterprises (MSMEs) has continued to experience significant growth in recent years. Analysis of this data shows a steady upward trend from year to year, reflecting the city's strong economic potential. In 2020, in the city of Surabaya there were 122,647 MSMEs recorded. The following year, namely 2021, there was an increase of 5.14%, with the number reaching 128,957 MSMEs. In 2022, the increase in the number of MSMEs will continue, with growth of 4.88%, bringing the total number of MSMEs to 135,267 MSMEs. The increase in the number of MSMEs every year shows a supportive environment for micro, small and medium businesses in the city of Surabaya. Factors such as government policy support, accessibility to financing, and infrastructure development can be the main drivers in the growth of MSMEs.

Fintech, or financial technology, significantly impacts small and medium-sized enterprises (SMEs) by enhancing financial inclusion. Fintech innovations introduce new business models, applications, and processes that influence financial markets and institutions, providing affordable, secure, and convenient financial services (Singh et al., 2020). These technological advancements have the potential to address the financial inclusion challenge by reaching individuals and businesses that were previously underserved by traditional banking systems (Saraswati et al., 2020).

Research indicates that fintech plays a crucial role in promoting financial inclusion for SMEs, enabling them to access financial services that were previously inaccessible (Hua & Huang, 2020). Fintech facilitates access to capital for SMEs, contributing to their empowerment and supporting local economies (Yulianasari, 2021). Moreover, fintech can enhance financial literacy among SMEs, leading to improved operational and financial performance (Lontchi et al., 2023).

The adoption of fintech by SMEs is influenced by various factors, and understanding these determinants is crucial for the diffusion of fintech services among SMEs (Coffie et al.,

2020). Fintech-enabled financial services have gained popularity across industries, impacting SMEs in terms of valuation, decision-making, and financing (Li et al., 2023). Additionally, fintech can serve as a solution for SMEs in overcoming financial constraints in the current digital era (Mutamimah & Hendar, 2020).

Furthermore, the emergence of Islamic fintech has provided additional support for SMEs, particularly in Islamic economies, by accelerating their growth and offering Sharia-compliant financial solutions (Saripudin et al., 2021). Sharia fintech can enhance community capital, improve financial literacy, and facilitate effective government financing assistance for SMEs (Trimulato et al., 2022). In conclusion, fintech significantly contributes to SME financial inclusion by providing access to financial services, enhancing financial literacy, overcoming financial constraints, and accelerating SME growth, particularly in emerging markets and Islamic economies. By leveraging fintech solutions, SMEs can bridge the financing gap, improve their financial performance, and contribute to sustainable economic development.

Based on data obtained from the East Java Regional Financial Services Authority *(Otoritas Jasa Keuangan)*, the level or trend of MSME financial inclusion in Surabaya has increased over the last 3 years (2020 to 2021) as can be seen in table 2 below:

Table 2

MSMEs Financial Inclusion Index in Surabaya (2020-2023)

Year	Financial Inclusion Index	Use of Financial Products and Services
2020	81,45%	Saving: 72,35%; Lending: 17,83%, Insurance: 14,22%; Formal Financial Institutions: 51,78%; Digital Financial Services 27,10%
2021	83,97%	Saving: 75,21%; Lending: 19,05%, Insurance: 15,38%; Formal Financial Institutions: 54,12%; Digital Financial Services 29,13%
2022	86,21%	Saving: 78,30%; Lending: 20,17%, Insurance: 16,72%; Formal Financial Institutions: 56,23%; Digital Financial Services 30,41%

Source: Otoritas Jasa Keuangan Daerah (OJK) Jawa Timur, 2023

Based on the table data above obtained from the East Java Regional Financial Services Authority (OJK) for 2023, it reveals an interesting journey in the financial inclusion index in the region. In a three year period, from 2020 to 2022, a positive trend can be seen reflecting a significant increase in financial inclusion, including ownership of savings, credit, insurance, participation in formal financial institutions, as well as adoption of digital financial services. In 2020, the financial inclusion index reached 81.45%, increased to 83.97% in 2021, and then jumped to 86.21% in 2022. This increase shows consistent efforts to increase access for the people of East Java to comprehensive financial services.

In reading these trends, several factors may be catalysts for the growth of financial inclusion in this region. First, progressive financial inclusion policies implemented by local governments and financial institutions may have provided an important impetus. Furthermore, the increasingly rapid adoption of financial technology, particularly in terms of digital financial services, may have provided greater accessibility for previously financially marginalized communities.

However, even though there has been a significant increase in the number of MSMEs and financial inclusion among MSME entrepreneurs in the city of Surabaya, the percentage of MSME credit has not increased significantly. As is known, credit is a source of capital for entrepreneurs to carry out investment activities or operational capital so that their business can run well and have future prospects.

Table 3

Percentage of MSMEs Lending for 2020-2022

Year	Lending (IDR Trillion)	Percentage of MSME Lending from Total Lending
2020	362,2	20,41%
2021	398,1	20,83%
2022	442,7	21,07%

Source: Otoritas Jasa Keuangan Daerah (OJK) Jawa Timur, 2023

Analysis of data obtained from the East Java Regional Financial Services Authority (OJK) in 2023 reveals interesting dynamics in providing credit to Micro, Small and Medium Enterprises (MSMEs) over the last few years. Although there is an increase in the amount of credit allocated to MSMEs every year, this growth trend does not continue significantly. In 2020, the amount of credit disbursed to MSMEs reached 362 trillion rupiah, which represents 20.41% of the total credit disbursed by financial institutions in East Java. The following year, namely 2021, the amount of credit for MSMEs will increase to 398 trillion rupiah, with a percentage of total credit of 20.83%. In 2022, the credit allocation for MSMEs will continue to increase to 442 trillion rupiah, which now reaches 21.07% of the total credit. Even though there is a nominal increase in the amount of credit given to MSMEs each year, the percentage of the total credit given tends to stagnate. This shows that although there are efforts to increase MSMEs' access to financing, this growth does not occur in proportion to the growth in total credit.

Despite a significant increase in the number of Micro, Small and Medium Enterprises (MSMEs) in the city of Surabaya as well as an increase in the MSME financial inclusion index in the East Java region, there is a striking discrepancy in the allocation of credit to MSMEs. Even though credit is an important source of capital for the growth and survival of MSMEs, the percentage of credit provided to the MSME sector has not increased significantly over the last three years. Data shows that although there is an increase in the amount of credit allocated to MSMEs every year, the percentage of the total credit provided tends to stagnate.

Fintech, encompassing various technologies such as mobile money, peer-to-peer lending, and crowdfunding, plays a crucial role in supporting Small and Medium Enterprises (SMEs) in accessing finance and overcoming financial constraints (Abbasi et al., 2021; Utami & Sitanggang, 2021; Chen et al., 2023; Naysary & Daud, 2021; Winarsih et al., 2020; Rumondang, 2018; Mutamimah & Hendar, 2020). These technologies provide SMEs with easier access to capital, improve financing availability, and enhance financial literacy, ultimately contributing to the growth and sustainability of SMEs (Utami & Sitanggang, 2021; Qurniawati & Nurohman, 2021; Winarsih et al., 2020; Rumondang, 2018). Additionally, fintech solutions like P2P lending and crowdfunding have emerged as effective mechanisms for SMEs to meet their financing needs (Abbasi et al., 2021; Naysary & Daud, 2021; Rumondang, 2018).

The challenges of using fintech for financial inclusion include regulatory issues, lack of financial literacy, and cybersecurity concerns. Regulatory challenges arise due to the need for clear guidelines and frameworks for fintech companies to operate effectively and ensure customer protection. Financial literacy is a significant challenge, as many underbanked and unbanked populations lack the necessary knowledge to use fintech services effectively.. Cybersecurity concerns are also a major challenge, as fintech companies must ensure the security of customer data and transactions to build trust and confidence in their services. Additionally, fintech companies may face challenges in scaling their services to reach a larger customer base, particularly in rural or remote areas (Karangara, 2023).

Moreover, the utilization of fintech can lead to improved inventory management, favoring the financing availability of SMEs (Li et al., 2023). Fintech companies also facilitate digital payments, attracting more consumers and benefiting SME players (Winarsih et al., 2020). Furthermore, the digital technology employed by fintech firms enables unbanked individuals, low-income households, and SMEs to engage in various financial activities through online channels, promoting financial inclusion (Temelkov & Miteva, 2022).

In the context of the COVID-19 pandemic, fintech, particularly in an Islamic framework, has been highlighted as a means to assist SMEs and support individuals during challenging economic times ("Financial technology amid the COVID-19: a bibliometric approach", 2023; Khan et al., 2020). Additionally, collaborations between fintech firms, non-banking financial companies (NBFCs), and banks aim to reduce the financial gap for SMEs and stimulate economic growth (Mahesh et al., 2023). Overall, fintech serves as a catalyst for enhancing SMEs' access to finance, promoting financial inclusion, and fostering sustainable business practices (Nurohman et al., 2021; Pizzi et al., 2021). By leveraging fintech solutions, SMEs can navigate financial challenges, improve their performance, and contribute to economic development.

Fintech adoption by SMEs is influenced by various factors as evidenced in recent research. Factors such as perceived usefulness (PU), trust, user interface (UI), perceived value, perceived risk, social influence, data security, customer service, and privacy play significant roles in the adoption of fintech services (Zhong-qing et al., 2019; Xie et al., 2021; Das & Das, 2022; Stewart & Jürjens, 2018; Meyliana et al., 2019). Additionally, factors like credit ratings, information systems for data analysis, and predicting risks also impact SMEs' adoption of fintech (Li et al., 2023). The COVID-19 pandemic has further emphasized the importance of factors like data security, privacy, trust, and high-technology tools in driving consumers towards fintech adoption (Le, 2021; Wiyono & Kirana, 2021). Moreover, the influence of factors such as performance expectancy, effort expectancy, social influence, customer trust, and national culture on fintech adoption has been highlighted in various studies (Urus et al., 2022; Urus et al., 2022; Kurniasari et al., 2023; Vandana & Mathur, 2022).

Furthermore, the adoption of fintech is also influenced by factors like economic benefits, convenience, privacy awareness, financial risk, and legal risk, which affect user trust and subsequently adoption rates (Suzianti et al., 2021). The role of subjective norms, perceived ease of use, and trust in positively influencing consumer attitudes towards choosing fintech services has been noted. Moreover, factors like knowledge, safety perceptions, performance expectations, social influence, facilitation conditions, and price values have been found to affect fintech adoption by small business owners (Najib et al., 2021). In conclusion, the adoption of fintech by SMEs is a multifaceted process influenced by a combination of factors ranging from trust and perceived value to data security, privacy, and economic benefits. Understanding these factors is crucial for fintech service providers and policymakers to facilitate and enhance the adoption of fintech services among SMEs.

The adoption of financial technology (fintech) among Small and Medium Enterprises (SMEs) has garnered increasing attention as a catalyst for enhancing business efficiency and competitiveness in today's digital era. Fintech offers SMEs access to a wide range of financial services, including payment systems, lending platforms, and digital banking solutions, which have the potential to revolutionize traditional business operations. However, the decision-making process behind fintech adoption among SMEs is complex and multifaceted, influenced by various factors that shape entrepreneurs' perceptions and behaviors.

One of the crucial factors influencing SMEs' adoption of fintech is the perceived usefulness (PU) of these technological innovations. Perceived usefulness refers to the extent to which entrepreneurs perceive fintech as beneficial for improving business processes, increasing operational efficiency, and achieving business objectives. For SMEs in Surabaya, understanding

the perceived usefulness of fintech solutions may shed light on the extent to which these technologies align with their specific business needs and goals (Ryu,2018;Vandana,et al. 2022; Purwantini et al, 2021).

Trust emerges as another significant determinant of fintech adoption among SMEs. Trust encompasses entrepreneurs' confidence in the security, reliability, and credibility of fintech services and providers. In Surabaya's business landscape, SMEs' trust in fintech platforms plays a pivotal role in shaping their willingness to adopt these technologies. Factors such as data security measures, transactional transparency, and the reputation of fintech providers contribute to building trust among SME entrepreneurs, thereby influencing their adoption decisions (Purwantini et al, 2021; Zhong et al, 2019; Chan et al, 2022)

Financial risk represents a critical consideration for SMEs contemplating fintech adoption. Financial risk entails the potential monetary losses or costs associated with utilizing fintech solutions, including transaction fees, operational expenses, and cybersecurity threats. In the context of Surabaya's SMEs, entrepreneurs weigh the perceived financial risks against the anticipated benefits of fintech adoption. Factors such as affordability, return on investment, and risk mitigation strategies influence SMEs' perceptions of the financial viability of fintech solutions, impacting their adoption intentions (Chan et al, 2023;.

By examining the interplay between perceived usefulness, trust, and financial risk, this study seeks to provide insights into the factors shaping SMEs' adoption of fintech in Surabaya. Understanding these factors is essential for policymakers, financial institutions, and fintech providers seeking to foster a conducive environment for fintech adoption among SMEs, thereby driving economic growth, innovation, and competitiveness in the region.

This research has significant importance in the context of MSME development and financial inclusion in the East Java region, especially in the city of Surabaya. First, this research will provide a better understanding of the factors that drive the mismatch between MSME growth and credit allocation to the sector. By understanding these barriers, policymakers can design more effective programs to increase MSMEs' access to financing. Furthermore, this research will provide insight into the impact of the mismatch between MSME growth and credit allocation on overall economic growth. Through this analysis, this research will help identify potential risks and opportunities associated with current credit allocation models, as well as provide guidance for better policy improvements in the future.

The contribution of this research is not only limited to the local level, but also has broader implications in the context of financial inclusion and MSME development globally. By understanding the dynamics between MSME growth and credit allocation, this research can provide valuable guidance to developing countries and international financial institutions in their efforts to increase MSME access to financing and support inclusive and sustainable economic growth.

2. Research Methods

2.1. Sampling technique

This study utilizes primary information collected through administering a survey with a Likert scale. The sample selection process was carried out using a purposive sampling technique, where the criteria used were MSMEs located in the city of Surabaya, which in total reached 100 MSMEs. The respondents in this study were business owners who fell into the MSME category, with a total of 100 respondents.

2.2. Data analysis technique

The data analysis method used in this research is quantitative analysis based on statistical calculations using SmartPLS software. The process involves several stages as follows: - Outer Model Testing: There are three criteria used in data analysis techniques with SmartPLS to

evaluate the outer model, namely Convergent Validity, Discriminant Validity, and Composite Reliability. The convergent validity of the measurement model with reflective indicators is assessed based on the correlation between item scores/component scores estimated with Smart PLS Software. An individual reflective measure is considered high if it correlates more than 0.70 with the construct being measured. However, for initial scale development research, loading values ranging from 0.5 to 0.6 are considered sufficient. In this research, a loading factor threshold of 0.60 will be used. - Structural model testing (Inner Model): This is done by checking the R-Square value, which functions as a goodness-of-fit test for the model.

This research involves 3 independent variables and 1 dependent variable. The independent variables consist of Perceived Usefulness (PU), Trust Emerges (TE), Financial Risk (FR) and the dependent variable is Financial Inclusion (FI), which means that Perceived Usefulness, Trust Emerges and Financial Risk have an influence on Financial Inclusion.

3. Results and Discussion

3.1 Assessing the Outer Model or Measurement Mode

The results of processing using SmartPLS can be seen in Table 5. The outer model value or correlation between constructs and variables initially met convergent validity because all sub-indicators had loading factor values above 0.60. Model modifications need to be made when the loading factor value appears below 0.60. Model modification was carried out by removing indicators that had loading factor values below 0.60 so that no constructs for all variables were eliminated from the model.

Tabel 5 Outer Loadings (Measurement Model)

	Financial Inclu...	Financial Risk	Perceived Usef...	Trust Emerges
FI_01	0.806			
FI_02	0.783			
FI_03	0.832			
FI_04	0.834			
FI_05	0.770			
FR_01		0.797		
FR_02		0.875		
FR_03		0.890		
FR_04		0.741		
FR_05		0.794		
PU_01			0.884	
PU_02			0.727	
PU_03			0.629	
PU_04			0.751	
PU_05			0.862	
TE_01				0.796

Source: Processed Data, 2024

3.2 Discriminant Validity

Discriminant validity is carried out to ensure that each concept of each latent variable is different from other latent variables. The quality of discriminant validity of a model is considered good if the loading value of each indicator of a latent variable is the highest compared to the loading value of other indicators on other latent variables. The results of the

discriminant validity test are listed in table 6. Based on this table, it can be concluded that most of the loading factor values of each indicator on the latent variable have the highest loading value compared to the loading value when connected with other latent variables, except for two latent variables which have The loading factor value is lower compared to other latent variables. Therefore, the majority of latent variables have met good discriminant validity standards, indicating that most latent variables do not have measures that have high correlation with other constructs.

Table 6 Discriminant Validity Values (Cross Loading)

	Financial Inclu...	Financial Risk	Perceived Usef...	Trust Emerges
FI_01	0.806	0.214	0.412	0.260
FI_02	0.783	0.203	0.242	0.211
FI_03	0.832	0.335	0.202	0.128
FI_04	0.834	0.261	0.381	0.251
FI_05	0.770	0.177	0.238	0.134
FR_01	0.205	0.797	0.117	0.011
FR_02	0.203	0.875	0.074	-0.081
FR_03	0.284	0.890	0.090	-0.045
FR_04	0.215	0.741	0.074	-0.184
FR_05	0.287	0.794	0.110	-0.134
PU_01	0.300	0.043	0.884	0.414
PU_02	0.235	0.043	0.727	0.206
PU_03	0.106	-0.064	0.629	0.281
PU_04	0.202	0.106	0.751	0.400
PU_05	0.446	0.181	0.862	0.369
TE_01	0.240	-0.109	0.346	0.796

Source: Processed Data, 2024

3.3 Mengevaluasi Reliability dan Average Variance Extracted (AVE)

Validity and reliability indicators can also be checked through the level of reliability of a construct and the Average Variance Extracted (AVE) value of each construct. A construct is considered to have good reliability if its reliability value reaches 0.70 and its AVE value exceeds 0.50. Table 3 displays the Composite Reliability and AVE values for all variables. From this table, it can be concluded that all constructs meet the required reliability standards. This can be seen from the Composite Reliability value which exceeds 0.70 and the AVE value which exceeds 0.50, in accordance with the recommended criteria. In fact, a Composite Reliability value of more than 0.90 indicates that the error variance that occurs is very small.

Tabel 7 Composite Reliability dan Average Variance Extracted

	Cronbach's Al...	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Financial Inclus...	0.866	0.882	0.902	0.648
Financial Risk	0.879	0.894	0.912	0.675
Perceived Usef...	0.848	0.952	0.882	0.603
Trust Emerges	0.867	0.885	0.898	0.639

Source: Processed Data, 2024

3.4 Structural Model Testing (Inner Model)

The inner model or structural model test was carried out to observe the relationship between constructs, significance values, and R-square of the research model. Structural model evaluation is carried out by examining the R-square for the dependent latent variables tested as well as the significance of the structural path parameter coefficients, as shown in Figure 1. Model assessment using PLS begins by evaluating the R-square for each dependent latent variable. The results of R-square estimation using SmartPLS are presented in Table 4.

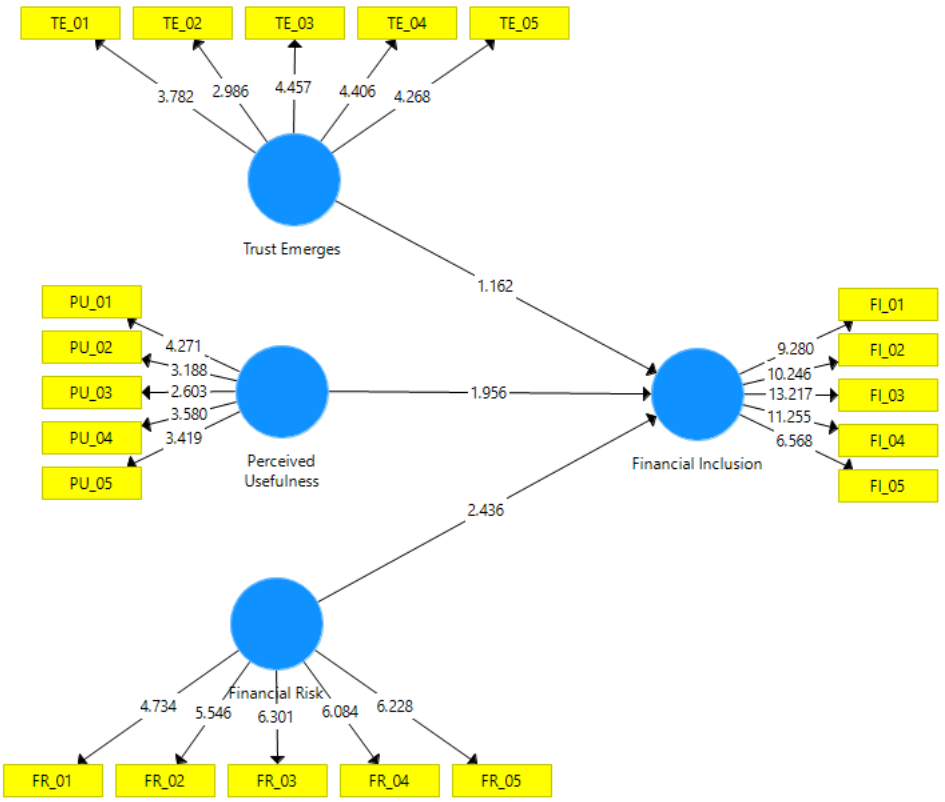

Figure 1. Structural Model

Source: Processed Data, 2024

Table 8. R Square

	R Square	R Square Adjusted
Financial Inclusion	0.232	0.208

Source: Processed Data, 2024

Table 8 shows the Adjusted R-square value for the Perceived Usefulness (PU), Trust Emerges (TE), Financial Risk (FR) variables obtained at 0.208. These results show that the variables Perceived Usefulness (PU), Trust Emerges (TE), Financial Risk (FR) have an influence of 20.8% and the remaining 79.2% is influenced by other factors.

3.5 Hypothesis Testing

The significance of the estimated parameters provides very useful information about the relationship between the research variables. The basis used in testing the hypothesis is the value contained in the output result for inner weight. Table 5 provides the estimation output for testing the structural model.

Tabel 9 Results For Inner Weights

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Financial Risk -> Financial Inclusion	0.284	0.265	0.123	2.436	**0.015**
Perceived Usefulness -> Financial Inclusion	0.278	0.265	0.148	1.956	**0.051**
Trust Emerges -> Financial Inclusion	0.164	0.156	0.142	1.162	**0.246**

Source: Processed Data, 2024

In PLS, statistical testing of each hypothesized relationship is carried out using simulation. In this case, the bootstrap method is carried out on the sample. Bootstrap testing is also intended to minimize the problem of non-normality of research data. The test results as shown in table 9 above with bootstrapping from PLS analysis are as follows:

- Hypothesis 1 (Financial Risk has an influence on Financial Inclusion): The results of testing the first hypothesis show that the relationship between the Financial Risk variable and Financial Inclusion shows a path coefficient value of 0.284 with a t value of 2.436. This value is greater than the t table (1.960). This result means that Financial Risk has a positive and significant relationship with Financial Inclusion, which means that it is in accordance with the first hypothesis where Financial Risk encourages Financial Inclusion. This means that Hypothesis 1 is accepted. This research is in line with what has been carried out by previous research conducted by Ozili, 2022; Herispon, 2019; Bire, et al. 2019; Agustina, 2022.

- Hypothesis 2 (Perceived Usefulness has no influence on Financial Inclusion): The results of testing the second hypothesis show that the relationship between the Perceived Usefulness variable and Financial Inclusion shows a path coefficient value of 0.278 with a t value of 1.956. This value is smaller than the t table (1.960). This result means that Perceived Usefulness does not have a significant effect on Financial Inclusion, which means that it is in accordance with the second hypothesis where perceived Usefulness does not encourage Financial Inclusion.

This means that Hypothesis 2 is rejected. The results of this research are in line with those carried out by previous researchers such as those carried out by Martini, et al. 2021; Duvendack, et al. 2019; Setiawan, et al. 2023.

- Hypothesis 3 (Trust Emerges has no influence on Financial Inclusion): The results of testing the third hypothesis show that the relationship between the Trust Emerges variable and Financial Inclusion shows a path coefficient value of 0.164 with a t value of 1.162. This value is smaller than the t table (1.960). This result means that Trust Emerges do not have a significant relationship with Financial Inclusion, which means it is not in accordance with the third hypothesis where Trust Emerges do not encourage Financial Inclusion. This means that Hypothesis 3 is rejected. This means that Hypothesis 2 is rejected. The results of this research are in line with those carried out by previous researchers such as those conducted by Kabakova, et al. 2018.

4. Conclusion

Based on the results of hypothesis testing that has been carried out, there are several conclusions that can be drawn from this research. First, the findings show that Financial Risk has a significant influence on Financial Inclusion. These results confirm that financial risk can be an important factor in encouraging financial inclusion among MSME entrepreneurs in the city of Surabaya. This finding is in line with previous research that has been conducted. Second, however, the hypothesis which says that Perceived Usefulness has no significant effect on Financial Inclusion must be rejected. This shows that perceptions about the benefits of financial services are not a factor that encourages MSME entrepreneurs to adopt further financial services. This illustrates that there are other factors that may be more dominant in influencing their decisions. Finally, the hypothesis which states that Trust Emerges does not have a significant influence on Financial Inclusion must also be rejected. Although trust is important in a financial context, the results of this study indicate that trust may not be the main factor influencing the financial inclusion of MSME entrepreneurs in the city of Surabaya. Thus, the results of this research provide a better understanding of the factors that influence financial inclusion, which can serve as a basis for developing policies and strategies in the future.

The limitations of this research include several aspects that need to be considered. First, this research was only conducted in the city of Surabaya, so the generalization of the findings only applies to that area and may not be able to represent the conditions of MSMEs in other areas. Second, the use of quantitative methods in data collection and analysis may not allow for an in-depth exploration of the social and psychological context that influences the financial inclusion of MSMEs. In addition, the use of questionnaires as the main research instrument may limit understanding of complex phenomena. Third, this research only considers the variables that have been selected and may not include other factors that can also influence the financial inclusion of MSMEs. Therefore, researchers are expected to take these limitations into account in interpreting and applying the findings of this study more broadly.

For further research, it is recommended to take a more in-depth approach to the factors that influence financial inclusion among MSME entrepreneurs in the city of Surabaya. One step that can be taken is to conduct a more detailed qualitative study to understand the perceptions, attitudes and financial behavior of entrepreneurs. This may involve in-depth interviews or focus group discussions to explore the psychological and social factors that may influence their financial decisions. Additionally, it is important to investigate the level of financial literacy among MSME entrepreneurs and how this influences their financial behavior. Regional comparative studies could also be a valuable suggestion for evaluating differences in financial inclusion practices in different regions. Thus, it is hoped that further research will provide a more holistic and in-depth insight into financial inclusion among MSME

entrepreneurs, as well as provide a stronger basis for the development of effective policies in increasing access and use of financial services at the business level.

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