

THE INFLUENCE OF FINANCIAL INCLUSION, FINANCIAL ACCESS, AND FINANCIAL ATTITUDE ON BUSINESS GROWTH AND ITS IMPACT ON THE WELFARE OF UMKM IN JAMBI CITY

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Abstract

This study aims to explore the influence of financial inclusion, financial access, and financial attitude on business growth and the welfare of UMKM in Jambi City. Using a quantitative approach and SmartPLS software for data analysis, the research examines how these financial factors contribute to business development and overall well-being. The findings reveal that all three financial variables financial inclusion, access, and attitude have a positive and significant impact on both business growth and the welfare of MSME actors. Moreover, business growth plays a mediating role, meaning it acts as a crucial bridge that strengthens the relationship between financial factors and welfare outcomes. In other words, as UMKM grow, the positive effects of good financial practices become more evident in improving entrepreneurs' quality of life. These results highlight the importance of promoting financial literacy and access among small business owners. Therefore, it is recommended that government bodies and financial institutions actively support financial inclusion programs, improve financial access, and nurture a healthy financial attitude. Such efforts are essential to ensure the sustainable growth of UMKM and their meaningful contribution to the local economy.

Keywords: UMKM, Financial Inclusion, Financial Access, Financial Attitude, Business Growth, Welfare

INTRODUCTION

Micro, Small, and Medium Enterprises (UMKM) play a strategic role in supporting national economic development, including in Jambi City. UMKM significantly contribute to job creation, reducing unemployment, and driving local economic growth. According to the Cooperative and MSME Agency (2023), the number of UMKM in Indonesia has surpassed 64 million units and absorbed around 97% of the national workforce. In Jambi City alone, the Central Bureau of Statistics (2023) recorded over 50,000 active UMKM. However, despite this immense potential, UMKM still face fundamental challenges, especially in terms of financial access, financial literacy, and financial management behavior.

The core problems faced by UMKM include low levels of financial inclusion, limited financial access, and underdeveloped financial attitude among business owners. The lack of

access to formal financial services makes it difficult for many UMKM to obtain working capital. According to data from the Financial Services Authority (OJK, 2020), only about 60% of the population in Jambi City has access to formal financial services, indicating a relatively low level of inclusion. A study by Harahap et al. (2024) revealed that both financial inclusion and financial access have a significant positive impact on business growth and welfare of UMKM. This lack of access not only limits business development but also has negative implications for the welfare of entrepreneurs.

Furthermore, financial attitude has been shown to be a crucial determinant of business success. UMKM with a positive attitude toward financial management tend to manage risks better and make wiser investment decisions. Wahudi et al. (2022) found that UMKM with saving habits and sound budgeting practices experienced faster business growth and improved welfare. Similarly, Aminah (2023) emphasized that a strong financial attitude significantly contributes to operational efficiency, income growth, and quality of life. Therefore, improving financial attitude should be a key component in strengthening MSME capacities.

Although the government has implemented the People's Business Credit (KUR) program since 2007 to improve MSME access to financing, many entrepreneurs still struggle to obtain loans due to complicated administrative requirements and low financial literacy. According to Indonesian Banking Statistics (2024), only 69.86% of the national KUR distribution target had been met as of August 2024. The Center for Indonesia Policy Studies (2024) also highlighted the gap between financial inclusion policies and actual financial access in the field. This condition suggests an urgent need to evaluate policy effectiveness and enhance MSME financial capabilities.

Based on these challenges, this research aims to analyze the influence of financial inclusion, financial access, and financial attitude on business growth and its impact on the welfare of UMKM in Jambi City. This study is original in that it integrates three key financial factors simultaneously and examines business growth as a mediating variable. The research is expected to contribute to the development of more effective MSME empowerment strategies and to support the creation of an inclusive, competitive, and welfare-driven financial ecosystem for small businesses at the local level.

IMPLEMENTATION METHOD

This study was conducted using a quantitative correlational approach to analyze the relationship between financial inclusion, financial access, and financial attitude on business growth and their impact on the welfare of UMKM in Jambi City. The research began by determining the population, which consisted of all UMKM in Jambi City totaling 50,747 business units, based on official data from the Central Bureau of Statistics through the Office of Cooperatives and UMKM of Jambi Province. From this population, a total of 397 MSME actors were selected as the sample using probability sampling and the Slovin formula, ensuring that each unit had an equal chance of being selected and the sample was representative.

Data collection was carried out using closed-ended questionnaires based on a five-point Likert scale, developed according to the indicators of each research variable. These variables

include: Financial Inclusion (X1), Financial Access (X2), and Financial Attitude (X3) as independent variables; Business Growth (Z) as the intervening variable; and Welfare (Y) as the dependent variable. The questionnaires were distributed both offline (directly to MSME owners) and online (via Google Forms) to efficiently reach a wider range of respondents.

The collected data were analyzed using Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) approach. This method was chosen because it is capable of handling both reflective and formative indicators and is suitable for studies with medium-sized samples. The analysis began with the outer model test (validity and reliability) to ensure that the instruments used accurately measured each construct. Validity was tested through convergent validity and discriminant validity, while reliability was assessed by checking the consistency of the measurement results.

Next, the inner model was tested to examine the magnitude of influence between latent variables using R-square, Q-square, and F-square values. Path coefficients were also analyzed to determine the direction and strength of the relationships. To test for indirect effects or mediation, the bootstrapping method was applied. This technique is more flexible than the Sobel test, as it does not assume normality and can be used even with smaller sample sizes.

Finally, hypothesis testing was carried out using p-values, where a hypothesis is accepted if the p-value is less than 0.05. This process confirms that the relationships identified in the model are statistically significant and generalizable. Overall, the implementation of this study followed a structured and systematic procedure—from planning and data collection to in-depth analysis using the PLS-SEM approach—resulting in a comprehensive understanding of how financial factors influence the business growth and welfare of UMKM in Jambi City.

RESULTS AND DISCUSSION

A. Comprehensive Statistical Analysis

To analyze the information collected from this study, a comprehensive statistical analysis method was used. In line with Sugiyono's (2018) view, this analysis aims to describe or present the data as it is, without intending to draw general conclusions (generalization).

In this context, the analysis focused on the response scores provided by 397 respondents for each variable indicator. The responses were measured using a Likert scale ranging from 1 (lowest) to 5 (highest).

To determine the level or category of each research variable (e.g., low, medium, or high), a score classification was developed. The classification for the suitability level of each indicator and variable was determined based on the average values and divided into five categories as follows:

Table 1. Classification of Average Score Indicators

Average Score Range	Assessment Category
1.00 – 1.80	Very Low (VL)
1.81 – 2.60	Low (L)
2.61 – 3.40	Fair (F)
3.41 – 4.20	High (H)
4.21 – 5.00	Very High (VH)

Based on this categorization, the respondents' responses to each variable are explained as follows:

1. Financial Inclusion

Financial inclusion refers to the ability of individuals or businesses to access and utilize financial services provided by formal financial institutions, including products such as savings, loans, insurance, and investments.

Table 2. Respondents' Responses Related to *Financial Inclusion*

No	Indicator	VL (1)	L (2)	F (3)	H (4)	VH (5)	Mean	Category
1	The products and facilities offered by financial institutions are easy to use	18	11	50	218	100	3.92	High
2	I have a savings account to store my business income	18	14	50	206	109	3.93	High
3	I have taken a loan/credit from a financial institution to grow my business	18	16	76	205	82	3.79	High
4	I am able to allocate part of my business income to meet future business needs	20	21	59	218	79	3.78	High
5	I think the procedures to access financial products/services are not complicated	18	6	48	210	115	3.99	High
6	The availability of financial services helps me manage my business finances	23	22	55	225	72	3.75	High
Average							3.86	High

According to Table 2, the average response score for the financial inclusion variable was 3.86, which falls into the high category. This indicates that, in general, respondents felt well connected to the formal financial system.

The most prominent aspect was ease of access, with the statement "the procedures to access financial service products are not complicated" receiving the highest score of 3.99. On the other hand, the lowest score (3.75) was found in the statement "financial services help manage business finances," suggesting that while access is perceived as easy, the direct benefits in managing business finances are not fully experienced by respondents.

2. Financial Access

Financial access refers to the ability of individuals or UMKM to obtain and utilize financial services from formal financial institutions.

Table 3. Respondents' Responses Related to *Financial Access*

No	Indicator	VL (1)	L (2)	F (3)	H (4)	VH (5)	Mean	Category
1	I feel that information about funding sources is difficult to obtain	20	18	60	219	80	3.80	High
2	I need education and socialization regarding funding sources	21	18	103	156	99	3.73	High
3	I create financial planning to start a business	21	31	60	202	83	3.73	High
4	I keep a profit and loss report for my business	22	29	54	194	98	3.79	High
5	I believe using a bank account helps me manage my business finances effectively	28	34	57	188	90	3.69	High
6	I feel that loan services from financial institutions are easily accessible and beneficial	21	11	51	221	93	3.88	High
7	I prepare financial statements in the form of a financial position report	20	31	78	186	82	3.69	High
Average							3.76	High

Based on Table 3, the average score for this variable was 3.76, also falling into the high category. However, the analysis of indicators reveals some interesting dynamics.

The statement with the highest score was “loan services from financial institutions are easily accessible and beneficial” (3.88). Conversely, the statement “information about funding sources is difficult to obtain” also received a high score (3.80), indicating challenges in initial access to information. Other indicators such as “need for education and outreach” also scored relatively high (3.73), highlighting that the main challenge lies in the initial stage of information-seeking, although the services accessed are fairly satisfactory.

3. Financial Attitude

Financial attitude refers to the individual or MSME actors' views or behaviors regarding financial management and the use of financial services (Raneo et al., 2022).

Table 4. Respondents' Responses Related to *Financial Attitude*

No	Indicator	VL (1)	L (2)	F (3)	H (4)	VH (5)	Mean	Category
1	I do not understand financial recording properly	17	20	58	220	82	3.82	High
2	I prepare a sales expense budget	20	37	80	175	85	3.67	High
3	I prepare a production budget	23	31	74	189	80	3.68	High
4	I am aware of the risks associated with being an entrepreneur, including the possibility of loss	28	37	70	179	83	3.63	High
Average							3.70	High

According to Table 4, the average respondent score was 3.70, which also falls into the high category. However, one key point stands out: the statement “I do not have a good understanding of financial recordkeeping” received the highest score (3.82), indicating a

recognition of limited basic bookkeeping knowledge.

Despite this, respondents still showed positive attitudes toward financial practices such as preparing a sales expense budget (3.67) and a production budget (3.68). This implies that while respondents have good intentions and a positive attitude toward financial planning, their technical understanding needs further improvement.

4. Business Growth

Business growth includes aspects such as revenue, number of employees, and assets owned by UMKM. This growth is significantly influenced by factors such as financial inclusion and financial access.

Table 5. Respondents' Responses Related to *Business Growth*

No	Indicator	VL (1)	L (2)	F (3)	H (4)	VH (5)	Mean	Category
1	I believe the number of employees affects the growth of my business	19	9	51	254	64	3.83	High
2	I am not sure that increased income is due to an increase in the number of employees	17	22	57	221	80	3.81	High
3	I feel that the current number of employees is sufficient to achieve my business goals	19	24	91	202	61	3.65	High
4	I do not believe good asset management affects business growth	18	31	63	229	56	3.68	High
5	I feel the number of assets does not affect my business performance	23	26	47	216	85	3.78	High
6	I believe that the quality of asset management contributes to the success of my business	21	20	67	219	70	3.74	High
Average							3.75	High

Based on Table 5, the average response score for this variable was 3.75 (high category). However, respondent views were quite complex.

The statement “the number of employees affects business growth” received the highest score (3.83), while the statement “not sure if income increases just because the number of employees increases” also scored high (3.81), indicating a contradiction. Respondents also agreed that “asset management quality contributes to success” (3.74) and somewhat disagreed with the idea that “good asset management has no effect” (3.68). These findings reflect that perceptions of business growth are shaped by a mix of complementary and conflicting viewpoints.

5. Welfare

Welfare refers to the well-being of MSME actors, encompassing economic, social, and quality-of-life aspects (Fadilah et al., 2022).

Table 6. Average Score per Indicator of MSME Welfare

No	Statement	Average Score	Category
1	My business has experienced an increase in income.	3.93	High
2	My business is able to meet my family's needs.	3.62	High
3	I have savings from my business earnings.	3.84	High
4	I can easily access health services.	3.36	Moderate
5	I can send my children to higher levels of education.	3.72	High
6	I feel economically secure and stable.	3.85	High
7	I have free time for social or family activities.	3.49	High
8	I feel satisfied with the current achievement of my business.	3.84	High
Overall Average		3.71	High

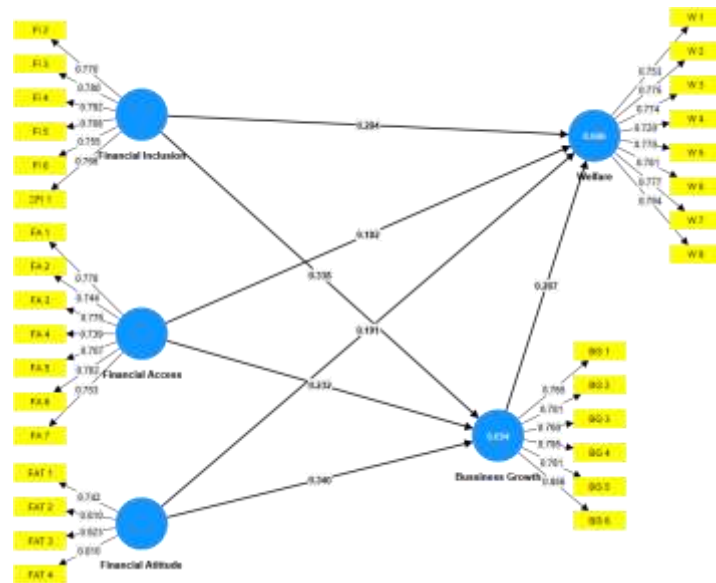
According to Table 6, the average score for this variable was 3.71, falling into the high category. However, there is a gap between general financial management principles and actual practice.

The statement “managing personal income sources affects well-being” received the highest score (3.93), and “good financial management contributes to long-term stability” also scored high (3.85). However, the statement “planning good financial conditions for business well-being” had the lowest score (3.36), the only one classified as moderate. A similarly low score was found in the statement “conducting regular financial evaluations” (3.49), indicating a weakness in the implementation of structured financial planning and evaluation processes.

B. Data and Model Testing

This study employed the SEM-PLS (Structural Equation Modeling – Partial Least Squares) approach to analyze the research data. The evaluation process consisted of two main components: the outer model and the inner model, aiming to ensure that the research instruments used were both valid and reliable, and that the relationships between variables could be statistically tested.

1. Outer Model

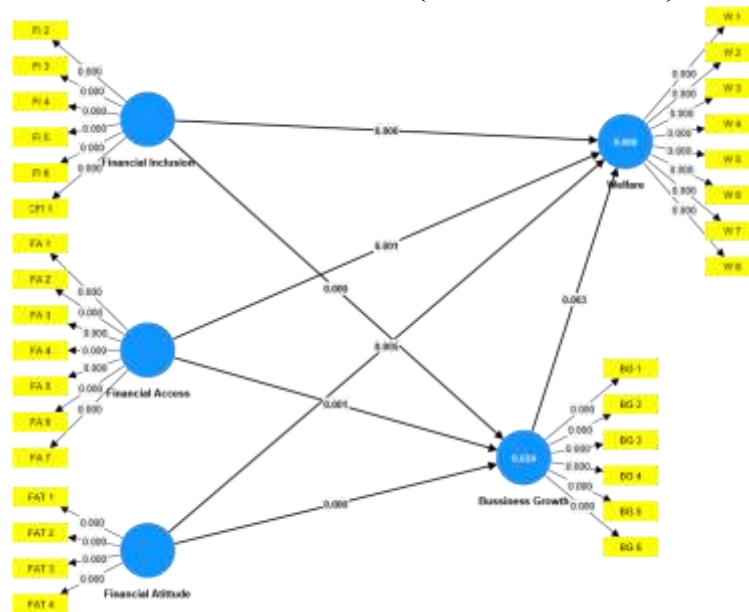


Picture 1. Outer Model

The outer model evaluation focused on assessing the validity and reliability of the indicators. Convergent Validity was confirmed by the outer loading values, where all indicators scored above 0.70, indicating that each item accurately measured its corresponding construct. Discriminant Validity was evaluated using cross-loading analysis. The results showed that every indicator had the highest loading on its own construct, demonstrating that the constructs were distinct from one another. In addition, the Composite Reliability and Cronbach's Alpha tests also returned values above 0.70 for all constructs, confirming that the measurement instruments were reliable and internally consistent.

2. Inner Model

Picture 2. Inner Model (Model Struktural)



The inner model evaluation aimed to examine the relationships between latent variables. Based on the path coefficient analysis, the strongest effect was found in the relationship between Financial Attitude and Business Growth, with a coefficient value of 0.340, while the weakest effect was between Financial Access and Welfare, with a coefficient of 0.043. The R-Square test revealed that Financial Inclusion, Financial Access, and Financial Attitude together explained 65.4% of the variance in Business Growth, and the combination of those variables with Business Growth explained 66.6% of the variance in Welfare. These values indicate a moderate explanatory power. The F-Square analysis showed that the largest effect came from Financial Attitude on Business Growth (0.161), and the smallest from Financial Access on Welfare (0.043). Lastly, the Q-Square test produced values greater than zero for both dependent variables, indicating that the model possesses good predictive relevance.

C. Hypothesis Testing

1. The Effect of Financial Inclusion on Business Growth

The results of the hypothesis testing show that financial inclusion has a significant positive effect on business growth, with a path coefficient value of 0.317, t-statistic of 4.260, and p-value of 0.000. Since the t-statistic is greater than 1.96 and the p-value is below 0.05, it indicates a significant relationship. This means that improvements in financial inclusion—such as easier access to banking services, mobile banking, and digital payments—can lead to greater business expansion and sustainability for UMKM.

This finding supports the proposed hypothesis and is consistent with previous research emphasizing the role of inclusive financial systems in promoting entrepreneurship and micro-business growth. UMKM that are well-integrated into the financial system are more likely to obtain funding, manage cash flows effectively, and invest in business improvements. Hence,

enhancing financial inclusion becomes a strategic factor for accelerating MSME development.

2. The Effect of Financial Access on Business Growth

Based on the analysis results, financial access has a significant influence on business growth, with a path coefficient value of 0.337, a t-statistic of 4.846, and a p-value of 0.000. These results confirm that the hypothesis is accepted, as the t-value exceeds the critical value of 1.96 and the p-value is well below the 0.05 threshold. This means that UMKM with better access to financial services, such as loans or credit lines, can improve operational capacity, develop new products, or expand their market reach.

The significance of financial access is widely supported in prior studies, which indicate that lack of funding is one of the main obstacles faced by UMKM. When businesses have sufficient financial access, they can invest in technology, hire more workers, and increase productivity. Therefore, strengthening the financial infrastructure for UMKM is essential to stimulate long-term business growth.

3. The Effect of Financial Attitude on Business Growth

The hypothesis testing results indicate that financial attitude significantly affects business growth, with a path coefficient of 0.264, a t-statistic of 3.600, and a p-value of 0.000. This shows that entrepreneurs' mindset and behavior toward financial management play an important role in driving their business progress. A strong financial attitude—such as budgeting discipline, risk awareness, and savings behavior—correlates with better decision-making in business.

This supports the hypothesis and aligns with behavioral finance theories which highlight that personal attitudes significantly influence financial outcomes. Entrepreneurs who manage money wisely and prioritize business reinvestment tend to experience better performance. Thus, fostering positive financial attitudes through education and mentoring could be a key intervention in supporting MSME growth.

4. The Effect of Business Growth on MSME Welfare

The results show that business growth significantly influences the welfare of UMKM, with a path coefficient value of 0.659, a t-statistic of 11.268, and a p-value of 0.000. This means that the more a business grows, the more likely it is to improve the economic and social well-being of its owners and employees. Business expansion often translates into higher profits, better facilities, and more secure livelihoods.

The finding confirms the hypothesis and supports the view that business growth is a major driver of welfare among small business actors. Enhanced welfare may include better household income, access to education, and improved quality of life. Therefore, initiatives aimed at supporting MSME development can have broader socioeconomic impacts beyond just the business itself.

5. The Indirect Effect of Financial Inclusion, Financial Access, and Financial Attitude on MSME Welfare through Business Growth

The test results of the indirect effects show that financial inclusion ($\beta = 0.209$; $t = 4.022$), financial access ($\beta = 0.222$; $t = 4.413$), and financial attitude ($\beta = 0.174$; $t = 3.319$) significantly affect MSME welfare through business growth. All of these t-statistics exceed the critical value of 1.96 and p-values are less than 0.05, indicating statistically significant mediating effects. This implies that financial behaviors may not directly enhance welfare, but they do so indirectly by first boosting business performance.

This finding reinforces the importance of business growth as a mediating variable between financial factors and MSME welfare. It means that when UMKM are supported with good financial access, inclusion, and attitudes, their growth improves—leading to better living standards and social outcomes. Therefore, policies and programs that support these financial aspects should also emphasize business capacity building as a pathway to welfare improvement.

CONCLUSION

This research examined the influence of Financial Inclusion, Financial Access, and Financial Attitude on Business Growth and their subsequent impact on the Welfare of UMKM in Jambi City. Using SEM-PLS analysis, the findings revealed that all three financial variables significantly and positively influence both business growth and welfare. Furthermore, Business Growth plays a significant mediating role between financial behavior and welfare outcomes. These findings suggest that improving financial services accessibility and fostering positive financial attitudes among MSME actors can enhance business sustainability and social well-being. This study offers valuable insights for policymakers, financial institutions, and business actors to develop targeted strategies that support MSME growth and contribute to broader economic welfare.

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