



Financial Inclusion Index of Islamic Rural Banks for Micro, Small, and Medium Enterprises (MSMEs) in Sidoarjo Regency

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ABSTRACT

The low level of sharia financial inclusion in the MSME sector poses a challenge in supporting business development, especially thru formal financial institutions such as Sharia BPR. In fact, MSMEs play an important role in the regional economy, including in Sidoarjo Regency. This research aims to: (1) identify the level of access of MSMEs to the infrastructure and financial services of Sharia BPR, (2) identify the availability of Sharia BPR financial products and services relevant to the needs of MSMEs, (3) identify the level of use of Sharia BPR financial products and services by MSMEs, (4) identify the quality of Sharia BPR financial products and services as perceived by MSMEs, and (5) identify the level of financial inclusion index of Sharia BPR among MSMEs in Sidoarjo. This research uses a descriptive quantitative approach with a sample of 61 MSME actors in Sidoarjo selected thru purposive sampling technique. Data were collected thru questionnaires and analyzed using descriptive statistics based on the dimensions of access, availability, usage, and quality. The research results show that: (1) the level of access of MSMEs to BPR Syariah services is in the moderate category, (2) the availability of products and services is still low because the socialization and offering of products are not yet optimal, (3) the level of service usage is in the moderate category but the actual use of financing is still low, (4) the quality of service is rated quite good, especially in the aspect of digital services, and (5) the financial inclusion index of BPR Syariah for MSMEs in Sidoarjo is overall in the medium category.

INTRODUCTION

Financial inclusion has undergone a paradigm shift from merely a marginal policy agenda to a central pillar in 21st-century sustainable economic development. UN resolutions and G20 commitments place access to formal financial services as an enabling condition and structural prerequisite for achieving the goals of poverty alleviation, reduction of inequality, and inclusive economic growth. The World Bank defines financial inclusion as the access of individuals and businesses to useful and affordable financial products and services, which include transactions, payments, savings, credit, and insurance (Demirgüç-Kunt et al., 2018). In this perspective, financial inclusion is not only understood as access but also as the ability to sustainably utilize financial services.

However, the global achievement of financial inclusion still shows significant gaps, particularly in developing countries. This inequality is structural in nature, caused by information asymmetry, limited collateral, and high transaction costs for small businesses (Maleha, 2018). This condition indicates that financial inclusion has not yet fully reached vulnerable groups, including micro, small, and medium enterprises (MSMEs).

In Indonesia, MSMEs play a strategic role in the national economy. Based on data from the Ministry of Cooperatives and SMEs, SMEs contribute more than 60% of the Gross Domestic Product (GDP) and absorb more than 97% of the workforce. This confirms that SMEs are not just a complementary sector, but the backbone of the national economy (Hanim & Noorman, 2018). In the perspective of economic development, MSMEs contribute to social stability and the distribution of community income.

Nevertheless, MSMEs still face serious obstacles in accessing formal financial services. This condition is known as financial exclusion, which refers to the limited access of business actors to the formal financial system due to administrative barriers, collateral requirements, and low financial literacy (Akmal & Saputra, 2016; Hutabarat, 2018). Low financial literacy has been proven to affect the community's ability to optimally utilize financial services (Kusumaningtuti & Setiawan, 2018).

As a result of this exclusion, MSMEs often rely on informal financing such as loan sharks or unofficial financial sources that carry high risks and expensive capital costs. This condition impacts the limited ability of MSMEs to develop their businesses, innovate, and sustainably increase their production capacity (Maleha, 2018; Fathurrahman & Fadilla, 2019).

In this context, Islamic banking, particularly Sharia People's Financing Banks (BPRS), plays a strategic role in expanding financial inclusion. Islamic banking is not only profit-oriented but also adheres to the principles of justice and economic equity (Ascarya, 2017). Financing products such as murabahah, mudharabah, and musyarakah are designed to accommodate the characteristics of small businesses that require flexibility and a profit-sharing system (Wiyani & Siboro, 2022).

Research shows that Islamic banking has a significant contribution in supporting the development of MSMEs thru more inclusive and partnership-

based financing (Fathurrahman & Fadilla, 2019; Muttaqin et al., 2020). In addition, BPRS also plays a role in improving access to capital for MSMEs that have not yet been reached by conventional banks (Muttaqin, Kosim, & Devi, 2020).

In line with technological developments, financial inclusion is also increasingly influenced by financial technology (fintech). Studies show that financial literacy and fintech contribute to the improvement of community financial inclusion (Kusuma, 2019; Lia & Nurdin, 2019). In fact, financial literacy has proven to be an important variable in strengthening the community's ability to access and use formal financial services (Pulungan & Ndruru, 2019).

At the regional level, Sidoarjo Regency holds a strategic position in the economic structure of East Java. Bordering directly with Surabaya, the second-largest economic center in Indonesia, Sidoarjo has experienced rapid growth in the industrial, trade, and service sectors. MSMEs in this region are developing in various sectors such as culinary, handicrafts, textiles, and technology-based services. However, the level of integration of MSMEs into the formal financial system remains an important issue that needs further study.

In this context, the Sharia People's Financing Bank (BPRS) becomes a relevant institution because it is directly aimed at serving MSMEs and the small economic community. BPRS operates under Sharia principles that prohibit *riba*, *gharar*, and *maysir*, and emphasize distributive justice in economic activities (Ascarya, 2017; Wiyani & Siboro, 2022). This makes BPRS an important instrument in promoting financial inclusion based on social and religious values.

Although various studies have discussed financial inclusion, financial literacy, and the role of Islamic banking, there is still a research gap in the form of the unavailability of standardized and contextual measurement instruments to measure the financial inclusion index of MSMEs at the regional level, particularly within the BPRS ecosystem. However, precise measurement is necessary to empirically assess the effectiveness of financial inclusion policies.

The selection of Sidoarjo Regency as the research location is based on several considerations. First, the high density of MSMEs makes Sidoarjo a representative location for financial inclusion analysis. Second, the presence of BPRS allows for a more measurable empirical study. Third, the heterogeneity of MSMEs in Sidoarjo provides a rich variety of data for comprehensive analysis.

This research has significant contributions theoretically, methodologically, and practically. Theoretically, this research enriches the study of the financial inclusion index in the context of Islamic financial institutions (Sarma, 2012). Methodologically, this research develops a contextual measurement approach for the inclusion index according to local conditions. Practically, the research results are expected to serve as a basis for recommendations for the Financial Services Authority (OJK), local governments, and BPRS in formulating more effective, inclusive, and sustainable financial inclusion improvement strategies.

This research aims to analyze the level of financial inclusion of Sharia People's Financing Banks (BPRS) toward Micro, Small, and Medium Enterprises (MSMEs) in Sidoarjo Regency. More specifically, this study aims to identify the

level of MSME access to BPRS Sharia's infrastructure and financial services, analyze the availability of BPRS Sharia's financial products and services that meet the needs of MSMEs, and evaluate the level of usage of these financial products and services by MSMEs. Additionally, this research also aims to assess the quality of BPRS Sharia's financial services as perceived by MSMEs, and comprehensively measure the Financial Inclusion Index of BPRS Sharia for MSMEs in Sidoarjo Regency as an illustration of the level of accessibility and utilization of formal financial services by business actors.

LITERATURE REVIEW

The National Strategy for Financial Literacy of Indonesia (SNLKI) is a macroprudential policy instrument formulated by the Financial Services Authority (OJK) to address the low levels of financial literacy and inclusion in Indonesia. Launched for the first time in 2013, the SNLKI was then updated thru the SNLKI Revisit 2017 and strengthened in subsequent policies. This framework positions financial inclusion as a measurable, multidimensional concept oriented toward socio-economic impact.

In the SNLKI, financial inclusion is defined as a condition where the community can access formal financial services according to their needs and capabilities, in order to improve welfare. This definition is applied thru structured indicators that serve as measurement tools to assess the level of community integration—especially marginalized groups—into the national financial system.

1. **Access Indicators** Access indicators measure the availability of infrastructure and financial service points that are accessible to the community, both physical and non-physical. SNLKI places access as the most fundamental prerequisite because the lack of access is the main barrier to community participation. Conceptually, this indicator not only assesses the physical presence of infrastructure but also the ease with which the community can use it without barriers of cost, distance, or disproportionate procedures.
2. **Usage Indicators** If access indicators measure availability, usage indicators assess the actual utilization of financial services. SNLKI emphasizes that access without usage does not contribute to true inclusion. Therefore, the dimension of use carries an analytical weight equivalent—if not higher in some contexts—compared to access.
3. **Quality Indicators** The quality dimension is the most substantive analytical layer and is often difficult to measure. SNLKI states that authentic inclusion is not just about the number of users, but rather how meaningful that usage is for improving welfare and economic resilience.
4. **Product and Service Availability Indicators** As the final dimension, the Product and Service Availability Indicators measure the extent to which products and services offered meet the needs of MSMEs. SNLKI places the improvement of welfare as the ultimate goal, determining whether the inclusion program has succeeded in exceeding quantitative targets and creating meaningful transformation.

The four dimensions of the indicators are interrelated in a hierarchical causal system: **Access → Usage → Quality → Availability**

This logic carries crucial policy implications: interventions that only focus on expanding access without ensuring actual quality and usage will not significantly impact welfare. Conversely, improving quality without expanding access only benefits groups that are already "bankable," thereby widening the gap. The SNLKI indicator framework is directly relevant for the development of the Financial Inclusion Index (FII) at the micro and meso levels. Each dimension is operationalized thru:

1. Measurable Proxy Indicators that can be collected via field surveys
2. Dimensional Weights that reflect policy priorities and local contexts
3. Value Normalization so that indicators of different dimensions can be combined into a consistent composite index

In the study of MSME financial inclusion thru BPRS in Sidoarjo Regency, the SNLKI framework serves as a methodological roadmap. This ensures that the measurement is comprehensive, contextual, and oriented toward transformative impact.

METHODOLOGY

This research uses a descriptive quantitative approach aimed at mapping and describing the level of IIK systematically without testing causal relationships between variables. This methodological choice is based on the exploratory-descriptive nature of the research objectives, where the accuracy of the phenomenon's depiction is prioritized over hypothesis verification. The research was conducted from November 2025 to February 2026 in the city of Sidoarjo.

The population consists of MSME actors who reside and operate businesses in the Sidoarjo City area, covering various sectors such as culinary, beverages, retail trade, crafts, accessories, and services. The sample was set at 61 respondents using random sampling techniques to ensure representativeness and minimize selection bias. The final sample composition was dominated by women (85.2%) and the culinary sector (55.7%), reflecting the demographic structure of the urban MSME ecosystem in East Java (Hanim & Noorman, 2018).

The instrument consists of a closed questionnaire with a 1-5 Likert scale constructed with 20 statement items distributed across four indicators according to the SNLKI framework (OJK, 2017): Access (P1-P5), Availability of Products and Services (P6-P10), Usage (P11-P15), and Quality (P16-P20). Each indicator consists of five items with a score range of 5-25, resulting in a theoretical total score range of 20-100.

Validity is measured using the Pearson Product Moment correlation at a significance level of $\alpha = 0.05$ (table $r = 0.250$; $df = N-2 = 59$). Reliability is evaluated using Cronbach's Alpha with the criteria: $\alpha \geq 0.60$ (reliable), $\alpha \geq 0.80$ (very good), and $\alpha \geq 0.90$ (excellent) (Nunnally, 1978; George & Mallery, 2003).

Analysis uses descriptive statistics, including measures of central tendency and normative categorization based on Mean \pm SD (Azwar, 2012) with the formula: High, Medium, and Low. This formula is applied both to the total score and per indicator to produce a more granular inclusion profile.

RESEARCH RESULT

1. Respondent Demographic Characteristics

This study involves 61 respondents who are Micro, Small, and Medium Enterprises (MSMEs) operators in the city of Sidoarjo. The respondents' profiles were analyzed based on three main demographic dimensions, namely gender, age group, and the business sector they operate in. The analysis of respondent characteristics is important to provide context regarding the profile of MSME actors who are the subjects of the research and to understand the extent to which these characteristics influence the level of financial inclusion.

Table 1. Distribution of Respondents by Gender

Gender	Frequency	Percentage (%)
Female	52 people	85,2%
Male	9 people	14,8%
Total	61 people	100,0%

Based on the distribution of gender, it was found that the majority of respondents were female, namely 52 people (85.2%), while the male respondents numbered 9 people (14.8%). The dominance of women in this study reflects the significant role of the female group in micro and small economic activities in Sidoarjo City, particularly in the home-based business and small-scale trade sectors.

Table 2. Distribution of Respondents by Age Group

Age Group	Frequency	Percentage (%)
< 25 years old	9 people	14,8%
26–35 years old	14 people	23,0%
36–45 years old	21 people	34,4%
46–55 years old	9 people	14,8%
> 55 years old	8 orang	13,1%
Total	61 people	100,0%

Analysis of the distribution by age group shows that the majority of respondents fall into the productive age category, with the 36–45 age group dominating at 34.4% (21 people), followed by the 26–35 age group at 23.0% (14 people). The presence of the majority of respondents in the productive age category has important implications for the research, considering that this age group generally has a better capacity to adopt innovations, including digital and formal financial services.

Table 3. Distribution of Respondents Based on Business Sector

Business Sector	Frequency	Percentage (%)
Culinary/Food-Beverage	34 people	55,7%
Drinks	6 people	9,8%
Retail Trading	5 people	8,2%
Crafts/Crafts	6 people	9,8%

Accessories/Fashion	4 people	6,6%
Other Businesses	6 people	9,8%
Total	61 people	100,0%

The analysis results on the business sector show that the culinary or food and beverage sector dominates with 34 respondents (55.7%), followed by the beverage, craft, and other sectors, each at 9.8%. The dominance of the culinary sector can be explained by several structural factors, including relatively stable demand, flexible initial capital, and easy accessibility to raw materials. This business sector has specific characteristics in terms of financing needs, especially related to short-term working capital for daily operations.

2. The Level of MSME Access to Infrastructure and Sharia BPR Services

Access to formal financial services is a fundamental prerequisite for creating sustainable financial inclusion. The measurement of MSME access levels to the infrastructure and financial services of Sharia BPR was conducted thru the digital access variable of MSMEs obtained from 61 respondents. The data was then classified into three categories: high, medium, and low, based on the mean and standard deviation.

Table 4. Categories of MSME Access Levels to Infrastructure and Sharia BPR Services

Category	Value Range	Interpretation
Tall	$x > 43.81$	Optimal and equitable access
Currently	$27.63 \leq x \leq 43.81$	Access Enough However Still There is limitations
Low	$x < 27.63$	Access limited and not optimal

Based on descriptive analysis, the average digital access value for MSMEs is obtained at 35.72 with a standard deviation of 8.09. Using the above categories, the distribution of MSME access levels is presented in the following table.

Table 5. Frequency Distribution of MSME Access Levels to Infrastructure and BPR Syariah Services

Category Access	Frequency	Percentage (%)	Interpretation
Tall	8 people	13.1%	Optimal access
Currently	46 people	75.4%	Access Enough Good
Low	7 people	11.5%	Access limited
Total	61 people	100.0%	—

The research results show that the majority of MSME actors (75.4%) have a moderate level of access, while 13.1% fall into the high category and 11.5% into the low category. This distribution indicates that the infrastructure of BPR Syariah services has been fairly evenly spread in the city of Sidoarjo, although it has not yet reached optimal levels. Table 6 presents complete descriptive statistics for the access variable.

Table 6. Descriptive Statistics of MSME Access Level to BPR Syariah Infrastructure and Services

Statistics	Mark
Amount Respondents (N)	61
Minimum Value	15
Maximum Value	50
Mean (Average)	35.72
Median	38.00
Standard Deviation	8.09

Beside analysis categorical , the study also measured perception respondents to indicator accessibility specific use Likert scale 1-5. The results show that convenience location BPR Syariah office obtains average value 3.54, availability BPR Syariah agents in the vicinity location business get average value of 3.57, and access to digital services obtain highest average value namely 3.64. The values This show that respondents evaluate accessibility BPR Syariah services in general overall including in category " enough " good ", with evaluation highest in dimension digital services .

3. Availability BPR Syariah Products and Services

Availability products and services finance covers No only presence product in a way physical , but also diversity products , affordability , and relevance to need users . Research This analyze availability thru three indicators : (1) experience respondents accept offer product , (2) experience get socialization products , and (3) experiences use service financing . Third indicator This used For identify to what extent have BPR Syariah products and services been reach and resonate with need MSME actors .

Table 7. Experience Respondents Accept Offer Sharia BPR Products

Offer Status Product	Frequency	Percentage (%)
Once accept offer	8 people	13.1%
Never accept offer	53 people	86.9%
Total	61 people	100.0%

Table 8. Respondents' Experience in Receiving BPR Syariah Product Socialization

Socialization Status Product	Frequency	Percentage (%)
Once accept socialization	5 people	8.2%
Never accept socialization	56 people	91.8%
Total	61 people	100.0%

Table 9. Respondents' Experience Using BPR Syariah Financing Services

Usage Status Financing	Frequency	Percentage (%)
Once use financing	3 people	4.9%
Never use financing	58 people	95.1%

Total	61 people	100.0%
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Analysis of the three indicators above reveals a consistent pattern of low availability and exposure of BPR Syariah products among MSMEs. Only 13.1% of respondents had ever received a product offer, 8.2% had ever received product socialization, and 4.9% had ever used financing services. This pattern indicates a progressive gap in the customer journey, where the level of socialization is the lowest, followed by the level of offering, and the actual usage is the lowest of all. This condition indicates that the marketing and outreach strategies of BPR Syariah products still have significant limitations in reaching the MSME market.

4. Level of Use of BPR Syariah Products and Services

The use of financial products and services is a crucial dimension in measuring financial inclusion, as it shows the effectiveness of the financial system in serving the needs of the community. The variable of digital service usage by SMEs (Variable Y) was measured thru the distribution of questionnaires to 61 respondents and classified into three categories based on the mean and standard deviation.

Table 10. Categories of Usage Levels for BPR Syariah Products and Services Table

Category	Value Range	Interpretation
Tall	$x > 42.49$	Use intensive and sustainable
Currently	$26.00 \leq x \leq 42.49$	Use moderate and periodic
Low	$x < 26.00$	Minimal use or No There is

11. Frequency Distribution of Usage Levels for BPR Syariah Products and Services

Category Use	Frequency	Percentage (%)	Interpretation
Tall	5 people	8.2%	Use intensive
Currently	45 people	73.8%	Use moderate
Low	11 people	18.0%	Minimum usage
Total	61 people	100.0%	—

The research results show that the majority of MSMEs (73.8%) use BPR Syariah services at a moderate level, while 18.0% fall into the low category, and only 8.2% fall into the high category. The average usage value of digital services is 34.25 with a standard deviation of 8.25, indicating that the usage level of MSMEs toward BPR Syariah services is still not optimal. Table 12 presents complete descriptive statistics for the usage variable.

Table 12. Descriptive Statistics of the Usage Level of BPR Syariah Products and Services

Statistics	Mark
Amount Respondents (N)	61

Minimum Value	10
Maximum Value	50
Mean (Average)	34.25
Median	35.00
Standard Deviation	8.25

The distribution of usage levels, which shows that the majority of respondents fall into the moderate category, reflects a condition where most MSMEs have started utilizing BPR Syariah's financial services, but not at a high intensity level. This indicates the potential for further improvement through intensified education, enhanced service quality, and product innovations that are more responsive to the needs of MSMEs.

5. Quality of BPR Syariah Products and Services

The quality of financial products and services is a determining factor in creating customer satisfaction and encouraging increased service usage. This study measures respondents' perceptions of service quality through three main indicators: the convenience of the BPR Syariah office location, the availability of service agents around business locations, and the ease of access to digital services.

Table 13. Respondents' Assessment of the Quality of BPR Syariah Products and Services

Indicator Quality Service	Average value	Category Evaluation
Convenience location BPR Syariah office	3.54	Enough Good
Availability agents around location business	3.57	Enough Good
Convenience access digital services	3.64	Enough Good
Overall average	3.58	Enough Good

The assessment results show that respondents rate the overall quality of BPR Syariah's services as "fairly good," with an average score of 3.58 on a 1–5 Likert scale. The highest rating was given to the dimension of digital service access (3.64), indicating that the digital transformation of BPR Syariah has begun to be beneficial for MSME actors. This shows that the development of digital services is an appropriate strategy to improve the accessibility and quality of financial services, especially for MSME actors who have limitations in time and mobility. Information, Islamic financial literacy, and product relevance to the specific needs of MSME actors

DISCUSSION

1. Demographic Characteristics of Respondents

The dominance of female MSME actors in this study (85.2%) reflects the widely prevalent microeconomic pattern in Indonesia, where women have a

significant contribution in the informal economic sector. These findings are consistent with previous empirical research that shows women play a dominant role in the development of micro-enterprises, particularly in the home-based business and small-scale trade sectors. This phenomenon can be explained through several mechanisms: first, the flexibility of micro-enterprises that allows for the integration of economic and domestic activities; second, access to local markets and social networks provided through women's communities; and third, relatively loose regulations regarding micro-scale businesses.

From an age perspective, the presence of the majority of respondents in the productive age categories (36–45 years and 26–35 years, respectively 34.4% and 23.0%) has important implications for financial inclusion strategies. The productive age group generally has: (1) established business experience, which provides an understanding of financing needs; (2) good cognitive and adaptive capacity toward technological innovations and new products; and (3) a stronger future orientation, making them willing to invest in business development. The 2024 National Survey on Financial Literacy and Inclusion (SNLIK) data reinforces this finding, showing that the national financial inclusion rate tends to be higher among the age group of 26–50 years.

The dominance of the culinary sector (55.7%) among the respondent population reflects the structure of MSMEs in urban areas of East Java, which is still dominated by service and consumption-based businesses. The culinary sector has unique characteristics in terms of financing needs, namely the dominance of short-term working capital for daily operations. This reality is important in the context of the research because Sharia BPR should be able to provide financing products that are flexible and responsive to short-term operational needs. However, as will be further analyzed in the next section, the level of utilization of Sharia BPR financing services is still relatively low, indicating a gap between the availability of products and the actual needs of MSME actors.

2. The Level of MSME Access to Sharia BPR Infrastructure and Services

Access is a fundamental dimension in measuring the level of financial inclusion, as it reflects the availability and affordability of infrastructure that enables the community to reach formal financial institutions, products, and services. The research results show that 75.4% of respondents fall into the moderate access category, with an average score of 35.72 (on a scale of 50). This level of access can be interpreted as "fairly good," although there is still significant room for improvement.

Respondents' assessment of the accessibility of BPR Syariah services shows an interesting pattern. The highest score was given to the dimension of digital service access (3.64), followed by agent availability (3.57), and the convenience of office locations (3.54). This pattern indicates that the digital transformation of BPR Syariah has begun to resonate with MSME actors, especially those with limited mobility or time. This phenomenon is in line with the findings of Muttaqin et al. (2020), which state that Islamic banking plays a strategic role in bridging the financing needs of MSMEs through the development of digital technology-based services. The digitization of financial services

provides several competitive advantages, including: (1) 24/7 accessibility without operational hour limitations, (2) transaction efficiency that reduces personal costs, and (3) ease in monitoring transaction history.

However, the access value, which falls into the moderate category (not high), indicates that there are still some MSMEs experiencing limited access to the BPR Syariah service infrastructure. According to the framework of the National Strategy for Financial Literacy and Inclusion in Indonesia (SNLKI, 2017), access is not just about the availability of physical or digital facilities, but also includes geographical ease, price affordability, procedural simplicity, and information support. In the context of MSMEs in Sidoarjo, limited access can be caused by several factors: (1) the concentration of offices and BPR Syariah agents still being limited to certain business centers, (2) the limited capacity of digital infrastructure in several sub-districts or areas, and (3) the lack of information regarding the procedures and requirements for financing applications.

This finding is also relevant to Sarma's (2012) argument, which proposes a multidimensional concept of access. According to Sarma, financial access cannot be measured solely by the availability of financial institutions, but must also consider individuals' ability to effectively utilize those services. In other words, access must be facilitated thru a combination of infrastructure availability, cost affordability, procedural simplicity, and user understanding of the available services. The practical implication of these findings is that BPR Syariah needs to not only expand its physical and digital networks but also intensify educational programs and simplify procedures to ensure that the available access can be utilized by all segments of MSMEs.

3. Availability of BPR Syariah Products and Services

The availability of financial products and services is a dimension that measures the extent to which financial institutions provide relevant, diverse, and accessible products to various segments of society. The research results indicate that the availability of BPR Syariah's products and services is still relatively low among SMEs in Sidoarjo, with only 13.1% of respondents having received product offers, 8.2% having received socialization, and 4.9% having used financing. The low level of availability indicates that the marketing and outreach strategies of BPR Syariah's products still have several significant limitations.

Analysis of the three availability indicators reveals a pattern indicating a "progressive gap" in the outreach and marketing process of the products. The pattern is: socialization (8.2%) → offering (13.1%) → usage (4.9%). This pattern shows that although the level of socialization is still very low (only 8.2%), the level of offering is higher (13.1%), but the level of usage is the lowest (4.9%). This phenomenon indicates that the issue of financial inclusion for MSMEs is not merely a matter of information availability, but rather a problem of conversion from the awareness stage to the actual usage stage.

According to the financial services marketing theory framework, the conversion process from awareness to adoption involves several cognitive and emotional stages: (1) awareness, (2) interest, (3) evaluation, (4) trial, and (5)

adoption. The low level of socialization (8.2%) indicates that the awareness stage has not yet been reached by the majority of SMEs. However, the higher level of offering (13.1%) suggests that a small portion of SMEs have entered the interest stage, although they may not necessarily have a basic understanding of the product. The low level of usage (4.9%) indicates that the adoption stage is still very limited, suggesting significant barriers in the evaluation and trial stages.

Obstacles in this conversion process can stem from several sources. First, the limited financial literacy of sharia finance among MSMEs. Data from the 2024 National Survey of Financial Literacy and Inclusion (SNLIK) shows that the national sharia financial inclusion index only reaches 12.88%, much lower than the conventional index. This low level of literacy can cause MSMEs to misunderstand the differences between sharia and conventional financing, and not fully grasp the benefits and mechanisms of sharia products. Second, the preference for financial institutions that are already known, whether conventional or informal. Many SMEs have long-term relationships with informal financial institutions (such as cooperatives or loan sharks) or conventional banks, and feel more comfortable with the familiar system. Third, administrative obstacles and requirements that are considered burdensome, such as collateral requirements, structured financial reports, or business registration formalities.

These findings are in line with Maleha's (2018) research, which states that the main issue for SMEs in accessing formal financing is the lack of information and financial literacy. Furthermore, Tambunan (2019) explains that the barriers to financial access for MSMEs in Indonesia are generally caused by: (1) the small scale of the business, which is considered high-risk by financial institutions, (2) poorly organized business administration, (3) low managerial capacity, and (4) lack of collateral or guaranties. The implication of these findings is that BPR Syariah needs to enhance more aggressive and focused marketing strategies, simplify financing application procedures, and develop comprehensive Sharia financial education programs to improve MSME literacy.

4. Level of Use of BPR Syariah Products and Services

The usage dimension reflects the effectiveness of financial inclusion in encouraging MSME actors to actively and sustainably utilize financial products and services. The research results show that 73.8% of MSMEs fall into the moderate usage category, while 18.0% fall into the low usage category, and only 8.2% fall into the high usage category. This distribution indicates that the level of utilization of BPR Syariah services by MSMEs is still at a suboptimal level.

The most interesting phenomenon that requires special attention is the significant "adoption gap" between the product offering rate (13.1%) and the actual usage rate (4.9%). This gap of 8.2 percentage points indicates that although more SMEs receive the product offer, the number that actually adopts the service is lower. This phenomenon can be explained thru several psychological and economic mechanisms.

First, accepting a product offer is not identical to having an interest or intention to use the product. SMEs may accept the offer as a form of politeness

or social obligation without having an actual need or intention to use the service. Second, the high perception of risk toward unfamiliar sharia products can hinder SMEs from moving from the trial stage to the adoption stage. Third, the perceived high transaction costs, both in the form of explicit costs (administrative fees, interest/margin) and implicit costs (time and effort for the approval process), can deter SMEs from taking the next step after receiving the offer. Fourth, the existence of alternative financing sources that are perceived as easier or more trustworthy can lead SMEs to choose not to use Sharia BPR services.

This adoption gap is consistent with previous research findings in the context of digital finance and financial inclusion. Research by Demirgüç-Kunt et al. (2018) in the Global Findex Database report shows that in many developing countries, although access to financial services has increased (for example, thru account openings), the level of active usage remains low. This phenomenon is known as the "dormant account problem," where people have access but do not use it actively. In the context of MSMEs in Sidoarjo, the adoption gap reflects a similar condition, where infrastructure and service offerings are already available, but have not yet been followed by widespread adoption.

The implication of this adoption gap finding is that strategies to enhance financial inclusion cannot solely focus on increasing access and product offerings, but must also consider the factors influencing actual adoption decisions. Strategies that can be implemented include: (1) the development of trial or free trial programs that reduce perceived risk, (2) intensive mentoring for SMEs that have received the offer to understand the concrete benefits of the product, (3) simplification of procedures and reduction of transaction costs, (4) development of more flexible products that are responsive to the specific needs of SMEs, and (5) building trust thru testimonials and references from other SMEs that have successfully used BPR Syariah services.

5. Quality of BPR Syariah Products and Services

The quality dimension in financial inclusion refers to the condition where financial products and services provide real benefits and satisfaction to users. Respondents' assessment of the quality of BPR Syariah's services falls into the "fairly good" category, with an average score of 3.58 on a 1–5 Likert scale. The highest rating was given to the dimension of digital service access (3.64), followed by agent availability (3.57), and the convenience of office locations (3.54).

The high rating in the digital service access dimension indicates that BPR Syariah's digital transformation has provided significant added value for MSME actors. The ease of 24/7 access thru mobile applications or other digital platforms allows MSMEs to conduct transactions, obtain information, and contact customer service without needing to visit physical offices. This is highly relevant for SMEs that have time constraints due to the busyness of their business operations. These findings are in line with the research by Wiyani and Siboro (2022), which states that the development of digital services in Islamic banking has become an important strategy to enhance accessibility and competitiveness in the era of digital transformation.

However, the "fair" quality assessment (not "good" or "very good") indicates that there is still room for improvement in service quality. Several areas that require special attention include: (1) improving customer service responsiveness, especially in responding to questions or complaints thru digital channels, (2) enhancing product diversity and innovation tailored to the specific needs of various MSME segments, (3) improving education and financial coaching programs to help MSMEs maximize the benefits of available services, and (4) enhancing user experience in using digital applications, especially for MSME groups with limited digital literacy.

These findings align with the views of Fathurrahman and Fadilla (2019), who state that improving the quality of Islamic banking services for MSMEs requires comprehensive non-financial support, including business mentoring, financial consulting, and skills training. In other words, service quality is not only measured by technical aspects (ease of access, transaction speed) but also by relational and educational aspects (the bank's ability to help SMEs understand and maximize the use of financial services).

CONCLUSION AND RECOMMENDATION

Based on the research results regarding the financial inclusion index of the Sharia People's Financing Bank (BPRS) for Micro, Small, and Medium Enterprises (MSMEs) in Sidoarjo Regency, it can be concluded that the level of financial inclusion is in the moderate category. This condition is indicated by several key findings. First, the aspect of MSME access to Sharia BPRS services falls into the moderate category, indicating that the service infrastructure is available but not yet fully optimal. Second, the aspect of product and service availability is still relatively low, marked by minimal socialization, offerings, and a low level of financing usage by MSMEs. Third, the aspect of service usage falls into the moderate category, indicating that service utilization has occurred but is not yet intensive and sustainable. Fourth, the aspect of service quality was rated quite well by respondents, especially in digital services. Overall, there is a significant gap between the availability of infrastructure and the level of service adoption, indicating that the barriers to financial inclusion are more due to low literacy, lack of information, and the irrelevance of products to the needs of SMEs.

FURTHER STUDY

Based on the research findings, it is recommended that the Sharia People's Financing Bank (BPRS) enhance its socialization and financial education strategies more intensively and sustainably to MSME actors in order to improve Sharia financial literacy. In addition, BPRS needs to develop financing product innovations that are more in line with the characteristics of MSMEs, particularly the micro-enterprise sector that requires flexible working capital. Efforts to expand service reach are also important to undertake thru the optimization of digital channels and strengthening the role of service agents to improve accessibility. On the other hand, simplifying financing procedures needs to be a priority to reduce the administrative barriers that have been the

main obstacles for MSMEs in accessing financial services. Furthermore, future research is recommended to develop a more comprehensive financial inclusion index model by adding other variables such as financial literacy, trust levels, and MSME financial behavior to obtain a deeper and more thorough understanding of the factors influencing financial inclusion.

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