The Attractiveness of *Sharia* Financial Institutions for MSMEs in Pontianak City, The Province of West Kalimantan, Indonesia

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ABSTRACT

The development of Micro, Small and Medium Enterprises (MSMEs) requires support from financial institutions, both banking and non-banking, in providing working capital loans. This support includes ease of procedure, easy installment payments, and services. The contribution of Islamic financial institutions in the Province of West Kalimantan, Indonesia, cannot be ignored. This study aims to investigate determinants of the behavior in the selection of *sharia* financial institutions in Pontianak by MSMEs. The research samples were the perpetrators of MSMEs spread in six districts in Pontianak City, 20 MSMEs per district. The data in this study were the primary data obtained from a questionnaire survey. The data analysis technique used was Probit Regression Analysis. The results of this study indicate that the profit-sharing system that is considered not burdensome to customers, the simplicity of procedures that save time and cost, and the number of products offered in accordance with the customer needs significantly influence the probability of choosing Islamic financial institutions. The variable of the suitability of the operational rules of Islamic financial institutions with Islamic rules has no effect on customers' decision in choosing a financial institution. This is an opportunity for Islamic financial institutions to develop their businesses by offering their products to non-Muslim customers.

Keywords: MSMEs, Financial Institution, *Sharia* System, Conventional System, Banking, Non-Banking

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INTRODUCTION

Without a doubt, the development of Micro, Small, and Medium Enterprises (MSMEs) requires support from microfinance institutions, one of which is from financial institutions. Financial institutions that are expected to encourage the progress of MSMEs are those that can provide loans for MSMEs actors with simple terms and procedures that are not burdensome for MSMEs players (The Ministry of Trade and Industry of Indonesia, 2013). *Sharia* financial institutions with profit-sharing systems provide solutions to MSMEs' capital problems because this system is lighter than the loan interest system. In addition, the operational system of this financial institution is different from that of the conventional banking system, so that the loan application procedure is simpler, and the disbursement process is faster. Therefore, it can be said that Islamic financial institutions give more advantages than do conventional banking. Apart from these advantages, Islamic financial institutions also offer various products, adding more convenience for the customers. These products include *mudharabah*, *murabahah*, *musyarokah*, *ba'i bittaman ajil*, and *qardul hasan* (Djazuli & Janwari 2002: 70). Meanwhile, conventional banks give loans that customers must pay off in a fixed amount of time as agreed in the loan terms, which comes with interest.

There is a fact expected to be an impetus for the government to provide opportunities for MSMEs to develop their businesses, one of which is through the development of microfinance institutions. According to the data from the Office of Cooperatives and MSMEs of West Kalimantan Province, until 2019, there were 8,000 – 9,000 MSMEs spread across all districts/cities in West Kalimantan. All of the existing MSMEs are able to absorb 97% of the workforce, and their contribution to Gross Regional Domestic Product (GDRP) reaches more than 60%. Because of the significant contribution of MSMEs to economic growth, it is hoped that MSMEs will be able to be a source of new economic strength, and it is expected that the strength of these MSMEs will boost the economic strength of Indonesia (Kalbaronline, 2020). In Indonesia, MSMEs account for 99% of all business, provide 89% of private-sector employment in the country and contribute 60% to the GDRP (ADB, 2018).

The facts above are in line with the findings of Rahman, Khanam, and Nghiem (2017) that the existence of microfinance institutions can create jobs and increase women's empowerment. MSMEs also can reduce the unemployment problem in any countries, such as in Jordan (At-Tamimi &

Jaradat, 2019). Therefore, all existing MSMEs actors must be embraced and encouraged to develop their business in the future. The realization of support for channeling funds from banks and microfinance institutions is expected to encourage the development of MSMEs businesses, primarily through financial institutions. The prospect of developing MSMEs has attracted many banks or financial institutions to help capitalize MSMEs, including Islamic financial institutions.

For more than three decades, microfinance programs are considered a worldwide important development strategy, especially in developing countries. As a result, governments and non-governmental organizations (NGOs) in several countries have introduced and operated various loan programs targeting the poor (Rahman, Khanam, & Nghiem (2017). In general, MSMEs actors are households that lack the capital to build and develop their businesses, and most of them are women. Even so, MSMEs significantly contribute to the national income, and even better, they were able to survive in a time of crisis.

Islamic financial institutions develop in line with the development of conventional banking and Islamic banking. The banking world synergizes with finance companies to channel funds collected from the public. Finance companies play a role in channeling funds to the community, where the funds channeled by the finance company come from banks. Although financial institutions do not function in collecting public funds, their operation is under the supervision of the Ministry of Finance, predominantly the Capital Market and Financial Institutions Supervisory Agency. Thus, a financial institution is a non-bank financial institution whose business activities emphasize the financial sector, i.e., providing funds and capital goods without withdrawing funds directly from the public. In other words, finance companies are prohibited from withdrawing public funds directly, as banks do, in the form of demand deposits, deposits, savings, and/or other equivalent forms. This is what distinguishes financial institutions from Islamic financial institutions (Rasyid, 2016).

Financing companies are more aggressive than banks because of differences in supervision. Financing by banks has many requirements that customers must comply with. For example, a customer or debtor must put his/her asset as collateral, and in that way, loan analysts can conduct a more careful analysis for potential debtors because this process is related to bankability. Meanwhile, financing companies tend to be more flexible with fewer requirements, and thus the financial transactions do not take a long time to complete (Muhaimin, 2012). These variables have been proven to be the determining variables in selecting financial institutions (Lestari, 2016; Chamidun, 2016; Nadratauzzaman, 2009).

Indonesia is a country with the largest Muslim population in the world, and it is estimated that Indonesia's Muslim population will reach 229.62 million by 2020 (https://databoks.katadata.co.id/). Religion is related to many aspects of life, and it is also linked to consumer behavior (Bailey & Sood, 1993; McDaniel & Burnett, 1990; Wilkes *et al.,* 1986). The increasing awareness of Muslims about *sharia* science in carrying out economic transactions makes Indonesians need additional information that will give them different views and assessments in fulfilling spiritual needs and providing added value to each of their economic activities. This is in line with the findings of a study conducted by Dyreng, Mayew, and William (2009) that religion has been shown to influence economic choices and outcomes in various contexts.

The majority of the West Kalimantan population is Muslim (Population Census, 2010), creating a potential chance for the development of Islamic financial institutions. Regarding consumer behavior in selecting financial institutions, several factors that are similar to customer behavior in selecting banks. As the selection of Islamic banking is influenced by the level of religiosity, which in the research of Tjiptoheriyanto *et al.* (2017) is moderated by the belief in the Holy Qur'an and knowledge of the usury laws, it is very possible that the factor of *sharia* principles in accordance with Islamic teachings will be a determining factor in selecting financial institutions apart from the simplicity of the procedures.

In general, Islamic financial institutions have ample opportunity to develop, considering the more advantageous offers they provide than conventional banks. For example, in providing financing, Islamic financial institutions establish partner relationships with customers, in which the financial institutions will provide a sum of money or capital to the customer. Then, both parties agree to share profits by means of profit sharing. In that way, no party is harmed since both the customer and the financial institution will benefit if the business the customer runs generates a profit, and vice versa, if the customer's business loses, the loss will also be borne jointly. Consequently, the existence of a financial institution in the long term can increase the consumption and household income of MSMEs actors (Morduch, 1998; Rahman & Ahmad, 2010), boost profits from businesses run by households (Banarjee *et al.,* 2014), and promote women empowerment (Tarozzi, Desai, & Johnson, 2013). Women actively participating in microfinance programs do increase their income levels, but to sustain this growth, these women must become more skilled by joining training in various fields such as training in how to set up new MSMEs (Parvin, 2017).

As for the structure of this article, it is split into six sections: Introduction, Literature Review, Methodology, Result and Discussion, Conclusion, and Limitation. The Introduction gives a brief overview of microfinance's roles, including Islamic Financial Institutions, in providing financing and business capital for SMEs. The Literature Review provides knowledge foundation of the Islamic Financial Institutions. The Methodology section outlines the administration of the survey and how the research was conducted. The Analysis and Discussion section examines the results, focusing on the statistically significant and interesting findings. The Conclusion discusses the potential policy implications of the data analyzed in this paper. At last, the Limitation explains the potential better research for future work.

LITERATURE REVIEW

Islamic financial principles are now increasingly found to operate elsewhere, though initially concentrated in the Middle East (especially Bahrain) and Southeast Asia (particularly Malaysia). This includes developing economies where the financial sector is almost entirely Islamic (Iran and Sudan) or where Islamic and 'conventional' financial systems coexist (Indonesia, Malaysia, Pakistan, and the United Arab Emirates) (El-Qorchi, 2005), and even in developed countries (Europe, CIS, USA, and Australia) (Tatiana *et al.*, 2015). There are some reasons for phenomenon of the increasing role of sharia financial, among other are a rapid growth of muslim population and a growing interest in Halal (allowed) financial products (Srebnik, 2010).

Islamic finance is defined as a financial service or product principally implemented to comply with the main tenets of *Sharia* (Islamic laws). In turn, the primary sources of *Sharia* are the *Holy Qur'an*, *Hadith*, *Sunna*, *Ijma*, *Qiyas*, and *Ijtihad* (Gait & Worthington, 2008). Islamic financial institutions can be a critical element of an effective poverty reduction strategy, especially for developing countries with Muslims as the major population, like Indonesia. The services provided by Islamic financial institutions are desired to enable the poor to develop their micro-enterprises, enhance their income earning capacity, and improve their quality of life.

In general, the financial problems faced by MSMEs include 1) lack of compatibility (the occurrence of mismatch) between the funds required and the funds that MSMEs can access, 2) the absence of a systematic approach to MSMEs funding by financial institutions, both banking and non-banking institution, 3) high transaction costs caused by complicated credit procedures that take up much time while the amount of credit disbursed is relatively small, 4) lack of access to formal sources of funds, either due to the absence of banks in remote villages or the unavailability of adequate information on access to capital for MSMEs actors, 5) relatively high loan interest for investment and working capital, and 6) numerous MSMEs that are not bankable, either due to the absence of transparent financial management or the lack of managerial and financial skills in managing them (Pramiyanti, 2008: 85).

In general, the credit system at Islamic financial institutions provides more relief for its customers than conventional systems. There are differences in the financing rules between the interest system and the Islamic system, as presented in Table 1. These differences arise from the particular characteristics of *sharia*-based financing companies that are different from those of conventional financing companies. The activities of the financing business and sources of funding for Islamic financial companies must be in accordance with Islamic teachings or in compliance with *sharia* which is free from the elements of *usury*, *haram*, and *gharar*. Therefore, Islamic financial companies must be managed in clear regulations (Rasyid, 2016).

Table 1: The Differences between Interest and Islamic Systems

INTEREST SYSTEM	ISLAMIC SYSTEM
The cost is determined at the time of the contract, assuming that the business is always profitable.	The determination of the profit-sharing ratio is made at the time of the contract, based on the possibility that the business being carried out can make profits or losses.
Usually, the percentage of interest is based on the amount of money (capital) lent.	Usually, the profit-sharing ratio is based on the amount of profit earned.
Fixed interest payments are made as promised regardless of whether the customer's business makes profits or losses.	Profit-sharing depends on the profit from the business being run. If the business gets losses, it will be borne by both parties.
The amount of interest payments does not increase even if the amount of profit is multiplying or the economy is booming.	The profit-sharing amount increases as the total revenue increases.
The existence of the interest rate system is doubted (often criticized) by all religions, including Islam.	No one doubts the validity of the profit-sharing system.

Source: Dayana, 2020.

In literal meaning, *riba* means increasing, developing, or growing. It is interpreted as all kinds of additions required in the contract without compensation justified in *sharia*. In Qur'an, Surah Ar-Rum Verse 39, it is mentioned:

> *"And something usury (addition) that you give so that he increases in human property, then usury does not add to Allah's side. And what you give in the form of zakat that you mean to achieve the pleasure of Allah, then (those who do so) are the ones who multiply (the reward)."*

The above verse clearly states that *usury* is an addition to human property, which the way to get it is not justified by Islamic *sharia*. Broadly speaking, *usury* is classified into two types: *usury* that occurs due to debts and *usury* resulting from buying and selling. Accounts receivable *usury* is further divided into two, namely *qard usury* and *jahiliyyah usury*. Meanwhile, *usury* for buying and selling is divided into *usuary of fadl* and *usuary of nasi'ah* (Rasyid, 2016).

When the principles of religion have become the way of life for each individual, it is very possible that each individual's behavior will be based on beliefs about the truth of his or her religious teachings, including behavior in selecting financial institutions. Once consumers' determinants in choosing a financial institution are known, this will become a reference for Islamic financial institutions in marketing their products to increase the distribution of public funds by Islamic financial institutions. It will impact the economic development of the community, including the development of Islamic financial institutions itself. According to the nature of its use, the distribution of financing is divided into two types (Djazuli & Janwari, 2002):

1. Productive financing

   Productive financing aims to fulfill production capacity needs, including increasing business through production, trade, and investment. This financing is divided into 2 types, namely:

   a) Work capital financing. It is financing to fulfill production needs in increasing finance, in terms of the production results quantitatively and qualitatively, enhancing the quality of production for trading purposes, and improving the utility of place for a product in the form of goods.

b) Investment financing. It is financing to fulfill a need such as capital goods which aims to increase production capacity, such as the purchase of production machines, expansion of production sites, etc.

2. Consumptives Financing

Consumptive financing is intended to meet consumption needs where the capacity will run out when used. This consumptive financing is usually requested by households, for example, in purchasing transportation equipment or purchasing household necessities.

One indicator of the sustainability of a financial institution is also primarily determined by its success in channeling public funds to MSMEs. Although there are several different opinions in terms of the relationship between *sharia* principles and behaviors in selecting banks, including financial institutions, the principles of *sharia* in the operation of a financial institution can still be a selling point for a financial institution in offering its products.

Hirschman (1981) and LaBarbera and Gurhan (1997) state that religion is a sacred value that strongly influence one's emotions, experiences, thoughts, behaviors, and psychology as consumers. The same thing is recommended by Bailey and Sood (1993), McDaniel and Burnett (1990), and Wilkes *et al.* (1986) that the study of marketing must include religious factors because religion is related to many aspects of life and consumer behavior. However, Heiman *et al.* (2004) and McDaniel and Burnett (1990) found that religion has no significant effect in some areas of purchasing behavior. This finding shows the inadequacy of religion in explaining the effect of religiosity on consumer behavior. Differences in one's commitment to religion and teachings will affect differences in attitudes and behavior (Johnson *et al.,* 2001). Regarding the selection of a *sharia* financial institution, it is probably that an individual's choice of a *sharia* financial institution is due to other factors, and it is not because of his belief in the teachings of his religion.

RESEARCH METHODOLOGY

The data used in this study were primary data collected through a survey questionnaire. The population of this research was MSMEs actors who used the services of financial institutions, either Islamic or conventional financial institutions in Pontianak City.

The sampling method used in this research was the area probability sampling method, in which 20 respondents were taken from each sub-district in Pontianak City. Table 2 presents the details of the samples.

Table 2. Research Samples

No.	Districts	Number of Samples
1	Pontianak City	20
2	West Pontianak	20
3	Southeast Pontianak	20
4	East Pontianak	20
5	South Pontianak	20
6	North Pontianak	20
Total		120

Because the data used in this study were binomial data with non-normal distributions, a regression could only be done using the Maximum Likelihood Estimation (MLE) method. Therefore, all data collected were analyzed using Probit regression with the following regression equation:

$$\mathbf{SF_i = \beta_0 + b_1PS_i + b_2OR_i + b_3PROC_i + b_4PROD_i + e_i}$$

The operational definitions of some variables used in the study are presented in Table 3 below.

Table 3. The Variables' Operational Definitions

Variable	Definition	Value
SF	A dummy to signal the selected Financial Institution	SF = 1 for *Sharia* Financial Institution; and SF = 0 for Non-*Sharia* Financial Institution
PS	A dummy to signal the respondent's perception about the profit-sharing rate in *sharia* financial institutions that provides higher benefits than the interest system in conventional financial institutions.	5 = Strongly Agree 4 = Agree 3 = Uncertain 2 = Disagree 1 = Strongly Disagree
OR	A dummy to signal respondents' perceptions about the mismatch between operational rules or systems and Islamic teachings in Islamic financial institutions compared to conventional financial institutions	5 = Strongly Agree 4 = Agree 3 = Uncertain 2 = Disagree 1 = Strongly Disagree

PROC	A dummy to signal the respondent's perception that the terms and time for loan disbursement in *sharia* financial institutions are simpler than those in conventional financial institutions	5 = Strongly Agree 4 = Agree 3 = Uncertain 2 = Disagree 1 = Strongly Disagree
PROD	A dummy to signal the respondent's perception that the products offered by *sharia* financial institutions are more varied and more suitable to customer needs than those of conventional financial institutions	5 = Strongly Agree 4 = Agree 3 = Uncertain 2 = Disagree 1 = Strongly Disagree

RESULTS AND DISCUSSION

Socio-demographic's respondent The characteristics of the respondents are related to their socio-economic backgrounds, namely age, education, income, religion, and duration in running their business. Islam does not separate world affairs from the afterlife. Muslims who have strong beliefs will believe that every business in the world influences the afterlife, including their choice of a financial institution system. Islamic financial institutions implement a system following Islamic teachings with no single Islamic teaching that does not benefit its adherents (Qur'an Surah Al Anbiya Verse 105). Table 4 below shows the characteristics of the respondents based on their religion.

Table 4. Respondents' characteristics based on religion

Religion	Frequency	Percentage
Islam	109	90.83
Non-Islam	11	9.17
Total	120	100

Source: Primary data, processed.

Based on age, most of the respondents were of productive age (85.83%). This would affect the amount of information the respondents provided about the advantages and disadvantages of both *sharia* and conventional financial institutions. In addition to information, the younger respondents had more courage to try something new, such as the profit-sharing system applied to the *sharia* financial institution, which was relatively new compared to the interest system. Respondents' characteristics based on age are presented in Table 5 below.

Table 5. Respondents' characteristics based on age

Age	Frequency	Percentage
21-25	11	9.2
26-30	12	10
31-35	25	20.83
36-40	20	15.83
41-45	21	17.5
46-50	14	12.5
51-55	13	10.83
56-60	3	2.5
61-65	1	0.8
Total	120	100

Source: Primary data, processed.

Education in general will affect an individual's level of knowledge about ways to manage a more profitable business as well as an understanding of the teachings of the religion he/she believes in. With a significant level of knowledge and understanding of these two things, an individual will make the best decisions for his business practices based on his knowledge and managerial abilities. Most of the research subjects were high school graduates. Individuals with high school education levels or below usually lack understanding and concern about the truth of their religion, and their managerial skills are insufficient. Respondents' characteristics based on their education levels are presented in Table 6 below.

Table 6. Respondents' characteristics based on Education Level

Education Level	Frequency	Percentage
Elementary School	12	10
Junior High School	12	10
Senior High School	71	59.17
Vocational education	9	7.5
University and above	16	14.17
Total	120	100

Source: Primary data, processed.

The duration of a business run by an individual will affect their experience, both in terms of business governance and experience in finding the best solution in overcoming the capital problems they face. Usually, bank credit given to MSMEs actors (Micro Credit) has a term of 2 years (https://

www.bankmandiri.co.id/kredit-usaha-rakyat-kur). This implies that MSMEs actors who have been running their business for more than 2 years have the chance to be able to compare several financial systems to overcome their capital problems. Respondents' characteristics based on the duration of running their business are presented in Table 7 below.

Table 7. Respondents' characteristics based on the duration of running businesses

Duration of running business	Frequency	Percentage
<1 year	5	4.17
1-3 years	34	28.33
>3 years	81	67.5
Total	120	100

Source: Primary data, processed.

The income level of MSMEs actors reflects the level of profits obtained, affecting their risk preference profile. Findings from studies conducted by Wright (2017) and Hopland *et al.* (2013) show that the higher the income of an individual, the higher the individual risk preference. Regarding financial institution selection, MSMEs actors with low income indicate that the level of profit they get is low, and they may even suffer losses so that if the MSMEs actor is risk-averse, he/she may choose a *sharia* financial institution with a profit-sharing system. However, if the level of profit from the business being run is high, the level of income is also high, and thus it is very likely that the MSMEs actors may choose conventional financial institutions. Because if they choose a *sharia* financial institution when the profit level is high, they must share their profits with the Islamic financial institution, which may be higher than the interest paid to conventional financial institutions. Respondents' characteristics based on their income levels are presented in Table 8 below.

Table 8. Respondents' characteristics based on the Income Level

Income Level	Frequency	Percentage
Inc < 1,000,000	2	1.70
1,000,000 < Inc < 3,000,000	44	36.70
3,000,000 < Inc < 5,000,000	55	45.80
Inc > 5,000,000	19	15.80
Total	120	100

Source: Primary Data, Processed.

Meanwhile, out of all research subjects, as many as 53 Muslim respondents chose conventional financial institutions, and 56 Muslim respondents chose *sharia* financial institutions. Meanwhile, all non-Muslim respondents choose conventional financial institutions. The complete data are presented in Table 9 below.

Table 9. Respondents' characteristics based on the financial institutions they choose

Financial Institution	Frequency	Religion		Percentage
		Islam	Non-Islam	
Sharia	56	56	0	46.7
Conventional	64	53	11	53.3
Total	120	109	11	100

Source: Primary data, processed.

Estimation Result

The estimation results as analyzed using the Probit regression are presented in Table 10 below. Several variables significantly influenced the selection of Islamic financial institutions. Those variables were Profit-Sharing (PS), Procedure (PROC), and Product (PROD). On the other hand, the variable of compliance with the operational rules/systems of Islamic financial institutions (OR) did not significantly affect the subjects' decisions in choosing a financial institution. This may be due to the research subjects' understanding of their religious teachings or their risk preference profile. It is also possibly caused by the fact that they had not received detailed information about the advantages of the Islamic financial system.

The estimation results for the profit-sharing variable showed that there were around 3.35% ($e^{1.213048}$) of respondents who had the opportunity to choose *sharia* financial institutions due to the belief that the profit-sharing system (PS) in Islamic financing institutions was more beneficial than the interest system of conventional financial institutions. In addition, the profit-sharing system is felt to be not burdensome for customers because when the business profits decline, the profit-sharing amount also decreases, and vice versa, if there is a loss, the loss is borne by the SMEs actors and the financial institution.

Table 10. The Estimation Result

Variable	Coefficient	Z statistic
Constanta	-13.20125	-2.840922*
PS	1.213048	2.146634*
OR	-0.753668	-0.912891

PROC	1.643456	2.343877*
PROD	1.760561	1.760185**
McFadden R-squared 0.910545		
LR statistic 150.9880		
Prob (LR statistic) 0.000000		

* Denotes Significance at a = 5%
** Denotes Significance at a = 10 %

Whereas for the procedure variable (PROC), there were about 5.16% ($e^{1,643456}$) of respondents who had the opportunity to choose *sharia* financial institutions because of the belief that the procedures at *Sharia* financial institutions were simpler than those at conventional financial institutions. The simplicity of procedures in *sharia* financial institutions will save customers' time and costs in the transaction process. Moreover, based on the product type variable (PROD), there were about 5.81% ($e^{1.760561}$) of respondents who had the opportunity to choose *sharia* financial institutions due to the belief that the products offered by *sharia* financial institutions were more diverse and suitable with customers' needs compared to the products offered by conventional financial institutions. In addition, because the amount of funds loaned by the financial institution is only for the capital goods purchased by the customer, this can reduce the opportunity for the customer to pay back the loan that is not used for business capital purposes. Based on the LR statistical value, which is higher than p Val, it can be said that the overall variation from the regressor variables is significantly able to explain variations in the selection of financial institutions.

CONCLUSION

There are belief differences in religious teachings, resulting in individual differences in their behaviors in choosing financial institutions. This research found that the variable of Islamic principles in financial institution (OR) operational rules was not significant. It indicates that the respondents' behavior in choosing the Islamic financial institutions is not determined by their belief that the principles implemented in the Islamic financial institutions' operational rules mismatch the Islamic teachings. Instead, their selection is more influenced by the profit-sharing system (PS), which is considered lighter than the interest system applied in conventional financial institutions. In addition, the simplicity of procedures and the number of products offered make more respondents select Islamic financial institutions.

These findings support those of Heiman *et al*. (2004), McDaniel and Burnett (1990), and Johnson *et al*. (2001).

These findings can be an opportunity for Islamic financial institutions to develop their businesses by introducing their products to non-Moslem customers. This can be done by further promoting the advantages of Islamic financial institutions regarding the profit-sharing system, simplicity of procedures, and types of products offered. With the increasing number of customers, wider opportunities will be opened for developing Islamic financial institutions.

LIMITATION

This study is limited by the fact that the cross-sectional data analyzed in this study could not be used to observe behavior changes in the selection of financial institutions. This study is also limited by the samples selected that were less representative for the types of MSMEs based on business types. For example, MSMEs engaged in the supply of daily necessities such as grocery stores and culinary businesses, and those engaged in the handicraft industry have different risks of loss. Undoubtedly, this will affect the risk profile of MSMEs actors. For future research, it would be better if the sampling process could reflect the representation of all types of businesses run by MSMEs in Pontianak City.

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