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AL-AMWAL

## Finacial Inclusion Profile In East Java

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### **Abstract**

*This study aimed the financial literacy, financial inclusion and financial technology in East Java Indonesia. Financial inclusion is a one of the ways to solving economic problems. Therefore, to out from financial exclusion and enter to financial inclusion the people must increasing their understanding about financial literacy and try to using financial services. This study will described the financial literacy with two dimensions (knowledge and application dimension), financial inclusion about accessibility in saving and loan and financial technology (receiving money and paid bills). The data used based on the Survey on Financial Inclusion and Access (SOFIA) 2017 with 6.873 respondents. The descriptive analysis was applied as an approach of assessment. Findings on this research revealed that financial literacy, financial inclusion, using financial technology is still very low especially in East Java. These result suggest that financial inclusion, financial literacy, and financial technology must be improving through supporting programs so that can parse the economic problems in society.*

**Keywords:** *Financial Inclusion, Financial Literacy, Financial technology, Financial Institution*

### **Abstrak**

Penelitian ini bertujuan literasi keuangan, inklusi keuangan dan teknologi keuangan di Jawa Timur Indonesia. Inklusi keuangan adalah salah satu cara untuk menyelesaikan masalah ekonomi. Oleh karena itu, untuk keluar dari pengecualian keuangan dan masuk ke inklusi keuangan, orang harus meningkatkan pemahaman mereka tentang literasi keuangan dan mencoba menggunakan layanan keuangan. Studi ini akan menggambarkan literasi keuangan dengan dua dimensi (dimensi pengetahuan dan aplikasi), inklusi keuangan tentang aksesibilitas dalam tabungan dan pinjaman dan teknologi keuangan (menerima uang dan membayar tagihan). Data yang digunakan berdasarkan Survei Inklusi Keuangan dan Akses (SOFIA) 2017 dengan 6.873 responden. Analisis deskriptif diterapkan sebagai pendekatan penilaian. Temuan pada penelitian ini mengungkapkan bahwa literasi keuangan, inklusi keuangan, menggunakan teknologi keuangan masih sangat rendah terutama di Jawa Timur. Hasil ini menunjukkan bahwa inklusi keuangan, literasi keuangan, dan teknologi keuangan harus ditingkatkan melalui program pendukung sehingga dapat mengurai masalah ekonomi di masyarakat.

**Kata kunci:** Inklusi Keuangan, Literasi Keuangan, Teknologi Keuangan, Lembaga Keuangan

## INTRODUCTION

Poverty is a problem faced by all countries in the world, in 2015 among 193 countries set aside 17 goals known as the Sustainable Development Goals (SDGs). 17 objectives have 3 categories such as environmental, social and economic development. SDGs has a goal which is to eliminate extreme poverty by providing access for the entire community to enjoy the positive effects of economic growth (United Nations, 2015).

SDGs are a process that involves to paying attention to natural resources and the environmental as well as the welfare for future generations (Fauzi & Oxtavianus, 2014). SDGs has several points that were agreed by the several countries: poverty alleviation, economic growth, and income distribution (Gaffney, 2014). There are many methods to solve the economic problems and one of them is to increase literacy among the people about financial inclusion (Hussaini & Chibuzo, 2018).

Financial inclusion became a trend after the crisis in 2008 especially for low income society, do not have steady income, live in remote areas, disabled people, workers, and the people who are categorized as unbanked (Umar, 2017). Financial Inclusion guarantees the availability of financial services, and the people can utilize financial services to improve welfare. Financial inclusion becomes a means to escape from poverty and an economic gap (Otoritas Jasa Keuangan, 2017).

Without an inclusive financial system, the poor society and companies will depend on savings and limited income to invest. They needed a financial sector basis to encourage competition, provide sufficient incentives for individuals, and overcome obstacles to accessing financial services. As such it is not only important for economic stability but also economic growth, poverty reduction, and the distribution of resources with a more equitable capacity (Demirgüç-Kunt, Beck, & Honohan, 2008).



**Figure 1: The Reason for not Having an Account at a Financial Institution**  
Source: Global Findex Database (2017)

According to data from the World Bank, Global Financial Index (Global Findex) in 2017, Indonesian People who are aged 15 years old and over, there are 96.6 million who don't have accounts at a financial institution (World Bank Group, 2019). The biggest reason for the people not having an account at a financial institution is insufficient funds as 72% agreed, and the second largest is financial services far from where the Respondents are, as many as 32% agreed about that. This fact has become one of the discussions of financial inclusion that is still unable to work and used well by the community. This makes it difficult to reduce poverty through financial inclusiveness.

**Table 1: Poverty Rates in Indonesia and East Java**

Year	Semester	Indonesia		East Java	
		Poor People		Poor People	
		%	In Million	%	In Million
2012	1 (March)	11.96%	29,132	13.40%	5,071
	2 (September)	11.66%	28,595	13.08%	4,961
2013	1 (March)	11.37%	28,067	12.55%	4,771
	2 (September)	11.47%	28,554	12.73%	4,866
2014	1 (March)	11.25%	28,280	12.42%	4,787
	2 (September)	10.96%	27,728	12.28%	4,748
2015	1 (March)	11.22%	28,593	12.34%	4,789
	2 (September)	11.13%	28,514	12.28%	4,776
2016	1 (March)	10.86%	28,005	12.05%	4,703
	2 (September)	10.70%	27,764	11.85%	4,639
2017	1 (March)	10.64%	27,771	11.77%	4,617
	2 (September)	10.12%	26,583	11.20%	4,405
2018	1 (March)	9.82%	25,950	10.98%	4,333
	2 (September)	9.66%	25,675	10.85%	4,292
2019	1 (March)	9.41%	25,145	10.37%	4,112

Source: Central Statistical Agency (BPS) (2019)

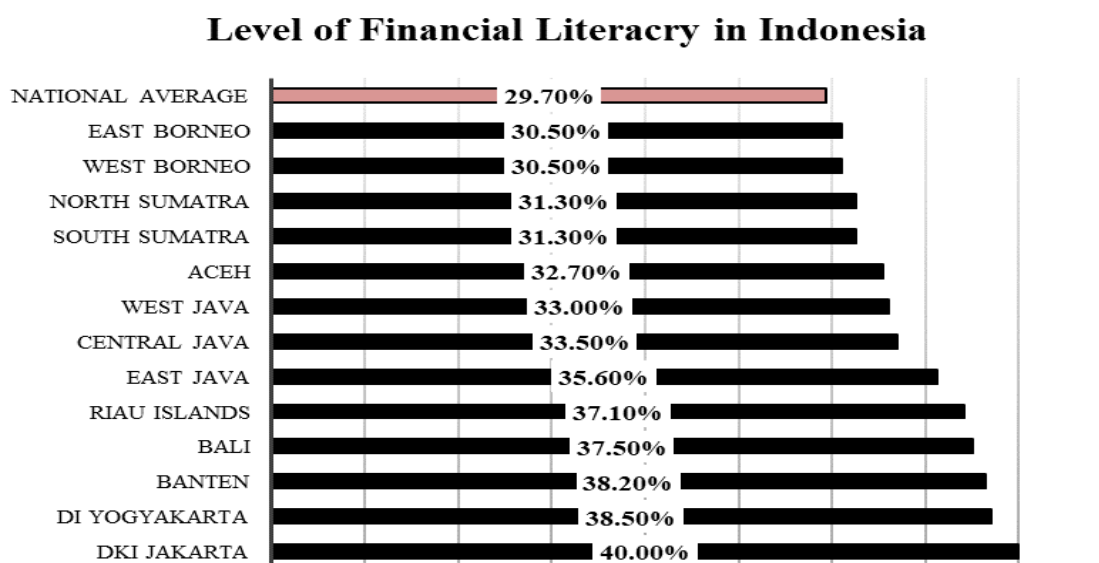
Based on data from the Central Statistics Agency (BPS) 2019, Poverty in Indonesia has gradually decreased, data for the first half of 2012 poverty rate is 11.96% or as many as 29,132 million people below the poverty line. In the first half of 2019 decreased to 9.41% or 25,145 million people below the poverty line, there was a decrease of 2.55% in 8 years. This is a good signal for Indonesia in terms of poverty alleviation.

Look at the Province of East Java, poverty trends in 2012-2019 also declined. In the first half of 2012, it was 13.40% or 5,071 million people below the poverty line, which decreased to 10.37% or 4,112 million people below the poverty line. In the half of 2019, Poverty dropped by 3.03%. This is inseparable from the policy holder's strategy in managing the poverty line. Poverty alleviation programs in East Java such as JALINMATRA (Another Road Towards Empowering and Prosperity), and assistance program to Very Poor Households (RTSM) (Pemerintah Provinsi Jawa Timur, 2019) In East Java Regional Development Work Plan (RKPD) 2017, this program is integrated with the central, provincial and regency governments where the pattern of integration between these activities are more and more interrelated. (Pemerintah Provinsi Jawa Timur, 2017).

Another Road Towards Empowering and Prosperity (JALINMATRA) and assistance program to Very Poor Households (RTSM) have several programs including: Mitigation of Poverty Prevention, Poverty Reduction Prevention, Very Poor Household Assistance, Other Poverty Reduction Acceleration and Expansion such as: Anti-Poverty Program (APP), Rehabilitation of Non-Occupied Homes (RTLH), simple flat (Rusunawa) and the construction of shared bathrooms (Pemerintah Provinsi Jawa Timur, 2017).

The program launched by the East Java Provincial Government not explicitly targeting the financial inclusion and accessibility people of East Java to financial institutions. Community involvement in the financial sector can encourage economic development especially in financial sectors. However, financial inclusion will not work well if not followed by literacy and an understanding by the community.

National average level of financial literacy in Indonesia is 29.70%. In chart 2 below, give an overview about levels of financial literacy levels in various provinces. Jakarta has the highest financial literacy level of 40.00%, followed by Yogyakarta, Banten, Bali, Riau and East Java, each at 38.50%, 38.20%, 37.50%, 37.10% and 35.60%



**Figure 2: Indonesian Financial Literacy Index by Province 2016**

Source: Financial Services Authority (OJK) (2017)

From the problem required above, researchers need to conduct research and the people of East Java can be used as a suggestion by existing stakeholders. The literacy profile and awareness of the people of East Java related to financial inclusion and the using of fintech are expected to be able to provide reasons and justifications for the low level of literacy, financial inclusion and use of fintech in East Java.

## LITERATURE REVIEW

### Financial Inclusion

Financial inclusion determines the process of providing access to financial products that will be accepted by all populations in each country (Gunarsih, Sayekti, & Dewanti, 2019).). If the financial system is inclusive, it will be possible to eliminate the constraints and desired resources at the cost of capital will be more efficient. (Demirgüç-Kunt, Beck, & Honohan, 2008).According to the UN financial inclusion is the provision of financial services that are affordable and bring the poor to enjoy financial institutions (United Nation, 2016). Financial inclusion can also be defined as the use of formal financial institutions by the poor. (Beck, Demirgüç-kunt, & Levine, 2008)Financial inclusion provides facilities for the public to access Islamic financial institutions so that they are expected to be able to improve people's lives.

Indonesian Central Bank, Bank Indonesia defined financial inclusive to aim to eliminate all matters relating to costs or non-costs incurred by the public regarding the accessibility to the financial institution services (Bank Indonesia, 2014). Sarma defined financial inclusion is a process that guarantees ease of access, availability and benefits to the financial system for the whole community (Sarma, 2012).Demirgüç-Kunt and Klapper financial inclusion as providing broad access to financial services without obstacle both in terms of price and non-price to users (Asli, Demirguc-Kunt, & Klaper, 2012).

The National Strategy for Financial Inclusion in Indonesia, publishes, financial inclusion as an individual right to access various financial services has a good quality,

comfortable, informative, and an affordable cost. Financial services are provided for all segments of the society, with special attention to the poor low-income, poor workers, migrant workers, and the people living in remote areas.(Gunarsih, Sayekti, & Dewanti, 2019).

Financial Inclusive gives access to the poor people to enjoy the services of financial institutions. Current research discusses a lot about financial inclusion and their impact to the poverty alleviation. Financial inclusion is the key to driving economic growth, poverty alleviation, and inequality. Financial inclusion can support providing employment opportunities, help fight economic shocks, and increase investment in human resources(Gunarsih, Sayekti, & Dewanti, 2019). Financial inclusion has an impact to the economic prosperity in financial sector and the real sector (Grohmann, Klühs, & Menkhoff, 2018)

Empirically the research conducted by Park and Mercado in 2018 said when the level of financial inclusion increases, it will reduce poverty levels significantly, because the people have access to financial services to facilitate the consumption and engage in productive activities. The results show, there is a negative relationship between poverty levels, income inequality and financial inclusion(Hussaini & Chibuzo, 2018) (Park & Mercado, 2018).

However, financial inclusion will not work well without understanding and participation to access financial institution services. According to the results of a survey released by the OJK in 2016 the conventional financial inclusion index was 65.6% and the financial literacy index was 29.5%. Meanwhile the Islamic financial inclusion rate was 11.1% and the literacy was 8.1%. This indicates that financial institutions are familiar enough to be used by the society even though the level of knowledge is still low (Otoritas Jasa Keuangan, 2016). Umar pointed out that Indonesia was included in the low category of Islamic Financial Inclusion Index (ISFI)(Umar, 2017).

### **Financial Literacy**

Financial literacy is knowledge about the financial industry which consists of Banking, Insurance, Capital Markets, Financing Institutions, Pension Funds, Pawnshops, and other financial services institutions. More than that, finance literacy is skills and beliefs that influence the quality of decisions and management in order to improve welfare(Otoritas Jasa Keuangan, 2017).Financial literacy has two main dimensions: knowledge dimension and the application dimension. The knowledge dimension is a knowledge gained from education or experience concentrated with the core of the financial concepts and products. The application dimension is the ability and willingness to effectively apply knowledge related to concepts and personal financial products (Huston, 2010).

Research conducted by Grohman about financial literacy. Generally, to increase financial inclusion can be done by improving infrastructure. However Grohman found a positive and significant relationship between financial literacy with financial inclusion with 4 variables namely, access to financial institutions, using of financial institutions, financial literacy and differences between men and women (Grohmann, Klühs, & Menkhoff, 2018)

Research conducted by Wachira on financial literacy in access to financial services in Kenya in 2009 stated that, access to financial services is not only related to the level of financial literacy. However, it is greatly influenced by income level, age, marital status, gender, household size and education level (Wachira & Kihui, 2012). Research conducted by Adetunji regarding impact of relative income and financial literacy to financial inclusion emphasizes that financial literacy regulates significantly savings patterns with formal and informal financial institutions. (Adetunji & David-West, 2019)

### **Fintech (*Financial Technology*)**

Fintech refers to applications in internet technology and innovation in financial activities such as payments, lending, wealth management and protection. The Fintech

revolution has changed the shape of the traditional financial industry by reducing costs and improving the quality of financial services, using big data to analyzes credit (Lu, 2017).

Today the industry of financial technology is developing rapidly throughout the entire country. Under the auspices of "financetech", Basel Committee on Banking Supervision (BCBN). BCBN understands that "innovations in finance that are integrated with technology will create new business models, applications, processes or products which in turn has an impact on financial markets, institutions and the production of financial services. (I.V. & Y.S, 2018) Fintech is expected to be an initial solutions to provide financial inclusion to mankind. (Firmansyah & Anwar, 2018)

10 Themes that will be of particular concern in 2020:

- a. Fintech will encourage modeling new businesses
- b. An Economy based on sharing will be embedded in every part of the financial system,
- c. Blockchain will shake the financial system,
- d. Digitalization will become commonplace,
- e. Customer intelligence will be the most important predictor in increasing revenue and profitability,
- f. Artificial intelligence (AI) will take over human work,
- g. Public cloud will be the dominant infrastructure model,
- h. Cyber security will be the priority risk faced by financial institutions,
- i. Asia will become a center of technology and will drive innovation,
- j. Regulation will turn to technology.

## **METHODE**

Type of research is descriptive research. Descriptive analysis is used to look at the characteristics of the community against alternatives that can be proposed. Existing Phenomenon

### **Population and Sample**

The Population of this study is the people who live in East Java. The sample taken based on data published by BAPPENAS, Survey on Financial Inclusion and Access (SOFIA). SOFIA has the main objective to measure accessibility and use of financial services by all adults in all income ranges. SOFIA measures the level of financial inclusion using both formal and informal financial services, describe the landscape of access to products and services used by individuals, identify barriers to the use of financial products and services, helps determine the need for financial products with a particular emphasis on the agricultural sector, and the gap between supply and demand for available financial services (Hakeem, Bilal, 2017). SOFIA provides an overview about accessibility to financial institutions which are divided into 3 categories, namely, access to savings, loans and payments services.

Sample in SOFIA obtained 6,873 respondents. The application used in SOFIA data processing is STATA 14. The advantage of the STATA application is that it allows the processing of large amounts of data samples. Characteristics of SOFIA respondents consisted of 3,011 men and 3,862 women consisting of the youngest age range of 17 years and the oldest being 100.

The highest level of education was 2,022 respondents in Elementary schools/Package A, followed by no education levels that had been completed as many as 1,144 and 695 respondents had never been to school. This is an indication of low inclusion and financial literacy in Indonesia. The level of income, education, marital status, area of residence, and religion have a strong and positive relationship to financial inclusion related to the desire to

save and borrow in financial institutions.(Davutyan & Öztürkkal, 2016)

**Tabel 2: Characteristics of respondents by age**

Range	Total
17-25	529
26-34	1.082
35-43	1.457
44-53	1.457
54-62	1.167
> 63	979
<b>Total</b>	<b>6.873</b>

Source: SOFIA 2017

**Tabel 3: Characteristics of respondents by gender**

Gender	Jumlah
Male	3.011
Female	3.862
<b>Total</b>	<b>6.873</b>

Source: SOFIA 2017

**Tabel 4: Characteristics of respondents by seeking Educational Level**

Level of Education	Total
Don't Know	11
Kindergarten	8
Elementary School/ Package A	2.022
Junior High School/ Package B	1.190
Senior High School/ Package C	1.010
Vocational School	353
Diploma 1, 2, 3	88
Bachelor Degree	324
Master/Doctor Degree	28
Nothing / No Level Completed yet	1.144
Never Been to School	695
<b>Total</b>	<b>6.873</b>

Source: SOFIA 2017

This data was collected in 2017 listed 29 Regencies and 9 Cities. Blitar, Kediri, Madiun, Malang, Mojokerto, Pasuruan and Probolinggo districts and cities are combined into one part, while the cities of Surabaya and Batu were separated. Total area observed was 31.

**Tabel 5. SOFIA sampling data in East Java**

Regional Name	Freq	Percent	Cum.	Regional Name	Freq	Percent	Cum.
Bangkalan	159	2.31	2.31	Mojokerto	160	2.33	58.88
Banyuwangi	335	4.87	7.19	Nganjuk	144	2.10	60.98
Batu	32	0.47	7.65	Ngawi	144	2.10	63.07
Blitar	176	2.56	10.21	Pacitan	64	0.93	64.00
Bojonegoro	224	3.26	13.47	Pamekasan	141	2.05	66.06
Bondowoso	96	1.40	14.87	Pasuruan	318	4.63	70.68
Gresik	223	3.24	18.11	Ponorogo	128	1.86	72.54
Jember	414	6.02	24.14	Probolinggo	271	3.94	76.49
Jombang	159	2.31	26.45	Sampang	158	2.30	78.79
Kediri	714	10.39	36.84	Sidoarjo	223	3.24	82.03
Lamongan	238	3.46	40.30	Situbondo	159	2.31	84.34
Lumajang	128	1.86	42.16	Sumenep	208	3.03	87.37
Madiun	110	1.60	43.77	Surabaya	404	5.88	93.25
Magetan	80	1.16	44.93	Trenggalek	112	1.63	94.88
Malang	799	11.63	56.55	Tuban	208	3.03	97.90
				Tulungagung	144	2.10	100.00
				<b>Total</b>	<b>6.873</b>		

Source: (SOFIA 2017)

Table 5 showing the amount of sampling frequency at SOFIA in 2016-2017. The total SOFIA sample in East Java Province was 6,873 respondents. Questions from SOFIA are divided into 6 sections. The first part is about the characteristics of households and the next part is about people's access to savings, loans, payment and transfer services, insurance, and community decision-making factors. In this study, to be seen are household characteristics, interest and reasons for deposit and loan services, as well as household capabilities for financial management.

### Analysis Technique

SOFIA data analysis uses descriptive analysis by measuring the frequency of the alternative answer given. This analysis is designed to collect data that describe personal characteristics, events and situations. Descriptive analysis was to see the level of accessibility of people in East Java to financial institutions. According to Sekaran, descriptive analysis helps researchers to provide an overview of the characteristics of groups in certain situations, think systematically about aspects that have been determined, and offer ideas to explore the future research (Sekaran & Bougie, 2013). (Sekaran & Bougie, 2013).

## RESULT AND DISCUSSION

### 1. Financial literacy

This section will look at the extent to which the people of East Java care about financial literacy. There are two dimensions in financial literacy, knowledge dimension and application dimension (Huston, 2010). The knowledge dimension is seen from how often the respondent participates in financial education and the application dimension is seen from the ability of the respondent to manage finances.

#### a. Participation in Financial Edu Program

<b>Q607: Participation in Financial Edu Program</b>	
Don't Know/ Not Sure	38
Yes	173
No	6,662
Total	6,873

**Tabel 7:** Participation in Financial Edu Program

**Source:** SOFIA data process 2019

Questions asked in Q607 regarding participation in the financial education / socialization program 6,662 or 96.93% stated that the respondent had never participated. 173 or 2.52% have participated and 38 respondents or 0.55% didn't know. Further asked to Respondents who the organizer of the socialization 48 of 173 respondents or 27.75% stated cooperative that hold socialization and 37 or 21.39% stated that the socialization was held in the workplace and the remaining 88 respondents or 50.86% stated various answers.

#### b. Financial Capability

### Q601: Budget Decisions

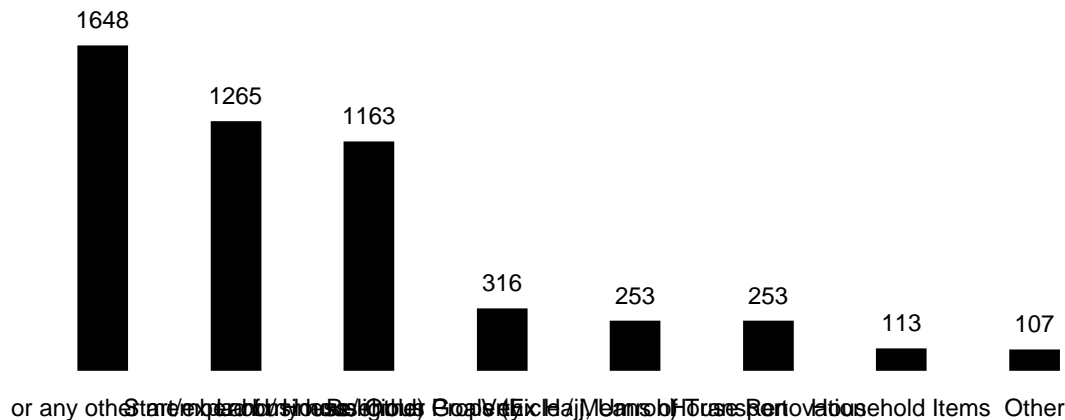


**Figure 3. Q601 Budget Decisions**

**Source:** SOFIA data process 2019

Financial capability is seen from how the respondents manage and make decisions at their expense. In the decision on financial budgeting in question Q601 stated that respondents were 3,175 respondents or 46.48% of respondents felt that they held power over the money they had. 2,773 respondents or 40.59% stated that they made decisions after consulting with a partner or spouse.

### Q602A: Future Investment

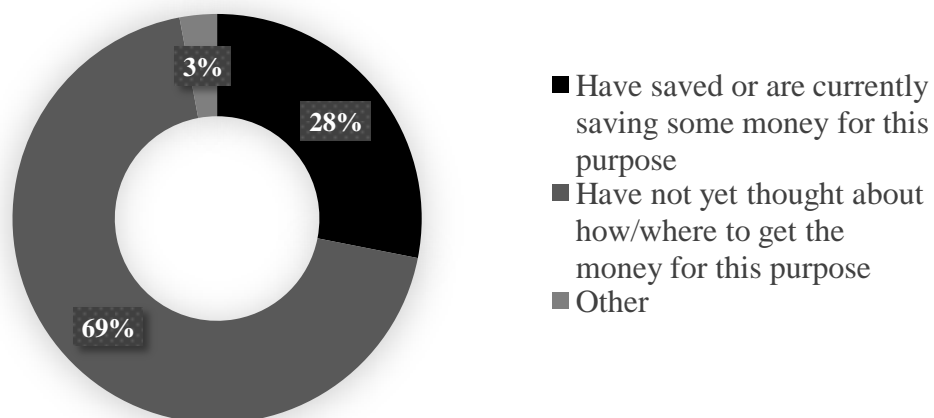


**Figure 6. Q602A Future Investment**

Source: SOFIA data process 2019

Question Q602A regarding the wishes of the respondents in the future and what they want to do to prepare. 1,648 respondents or 32.20% stated that they wanted to prepare a good education for themselves or their family members, know about education that can be used to help or become a visitor, and 1,265 or 24.72% wanted to start a business or enlarge the company. 1,163 respondents or 22.72% have pretension to own land, houses, and property.

### Q602B: Ensure Availability of Money



**Figure 7. Q602B Doing Something to ensure availability of money**

Source: SOFIA data process 2019

However, when the respondents were asked about what was done to ensure the availability of money. The majority of respondents as much as 3,529 or 68.95% answered did not understand how and where they got money for that purpose and 1,438 respondents or 28.10% have started saving for this purpose.

## 2. Saving and Borrowing Money

### a. Saving Money

#### Q701: Saving

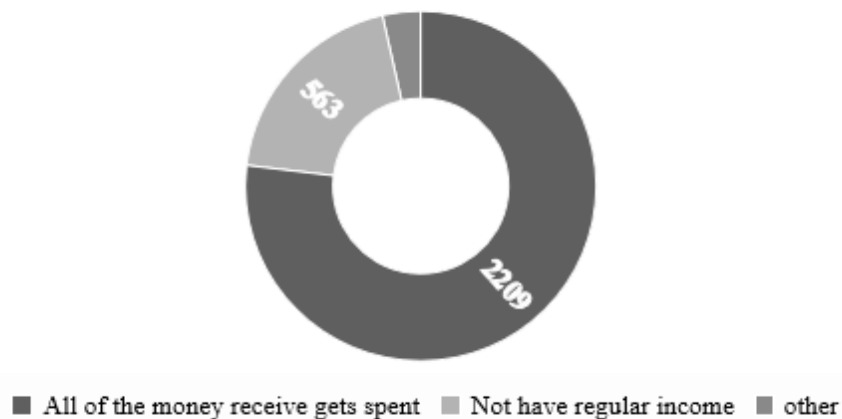
Yes	3.840
No	3.033
Total	6,873

**Tabel 8:** Respondent profile related to saving

**Source:** SOFIA data process 2019

SOFIA data in question Q701, 3,840 out of 6,873 or 55.87% of respondents answered that they saved and 3,033 or 44.13% did not save. The main reason the respondent did not save is stated in question Q702. The reason most of the respondents or 2,759 respondents or 76.89% did not save was because all of the money was used for basic needs. While the next reason is Respondents do not have fixed income paid monthly as much as 563 or 19.60% of respondents. This result is supported by data from the OJK stating that 96.81% of the community still needs a pedek goal to fulfill their daily needs (Otoritas Jasa Keuangan, 2017).

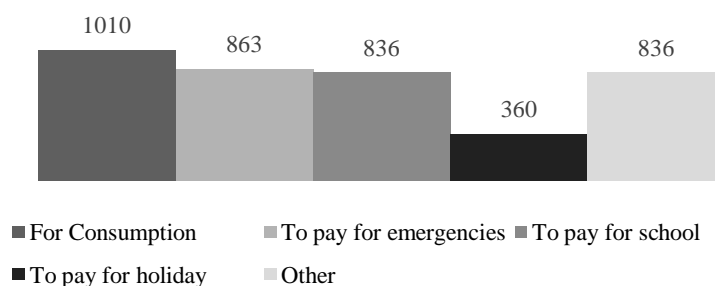
#### Q702: Reason for Not Saving



**Figure 8: Q702 Reason for Not Saving**

Source: SOFIA data process 2019

#### Q707: Reasons to Save

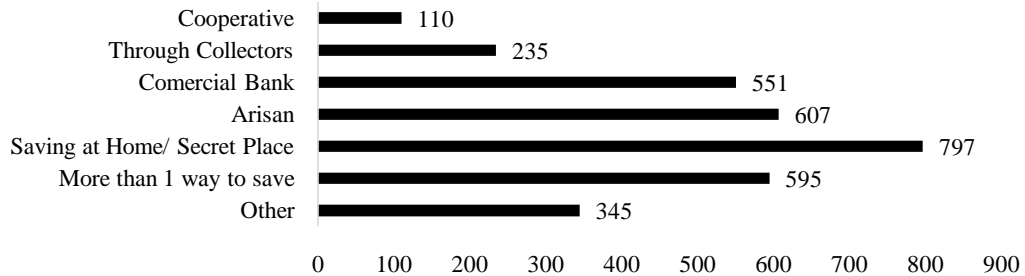


**Figure 9. Q707 Reasons to Save**

Source: SOFIA data process 2019

Q707 questions related to the reason respondents saved as many as 1,010 or 25.86% of 3,905 respondents stated that they were saved for future needs. 863 or 21.41% stated that as a precaution if something unexpected happened in the future, and 836 or 21.41% stated that to pay for children's school fees. The 3 highest responses are still dominated by short-term consumption and as an emergency fund although, there are also a few respondents who want to invest their money to buy land, houses, pension funds and as working capital.

#### Q704A: Place to Put Saving

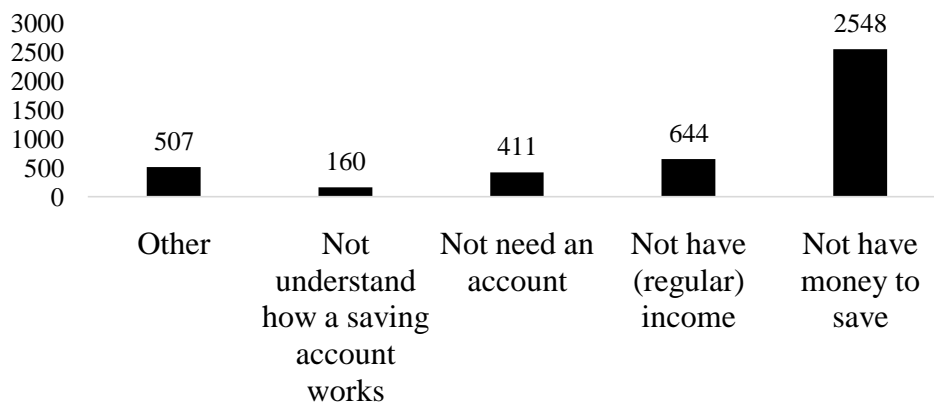


**Figure 10. Q704A Place to Put Saving**

Source: SOFIA data process 2019

Question Q704A regarding where the respondents save their money as many as 797 or 19.93% of respondents keep money in cash at home or in a secret location and 595 or 14.88% use banks (Commercial banks and Rural Credit Bank) as a place for respondents to deposit their money. From these data shows that the society in East Java has not fully used financial institutions as a place to save. Respondents not using banks because did not have enough money to save, 2,548 or 59.67% agreed and 664 or 15.08% said not have regular income received every month this can be seen in question

#### Q716: Reason for not Having/Using Bank



Q716 regarding the reason respondents did not use banks.

**Figure 11. Q716 Reason for not Having/ Using Bank**

Source: SOFIA data process 2019

## b. Borrowing Money

This section will look at the trends of the people in East Java related to borrowing money. Question Q801 Regarding whether respondents had borrowed money. 5,985 or 87,08% of respondents stated they had borrowing money and 888 or 12.92% did not.

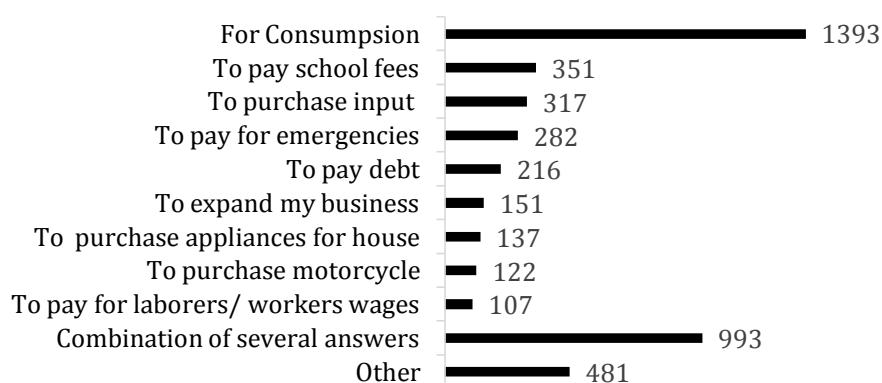
**Table 9: Respondents profile related to Borrowing Money**

<b>Q801: Borrowing Money</b>	
Yes	5,985
No	888
Total	6,873

Source: SOFIA data process 2019

The reason for most respondents to borrow money was to buy basic needs there are 1,393 respondents agreed or 31.35%. The second biggest reason was to pay school fees of 351 or 7.90%.

**Q813: Reason for Borrowing Money**

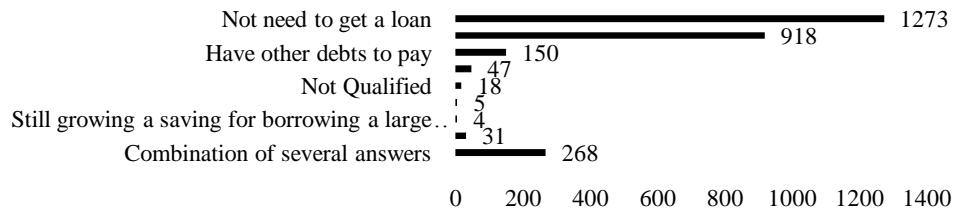


**Figure 12 . Q813 Reason for Borrowing Money**

Source: SOFIA data process 2019

The main reason for respondents never borrowed money stated on questions Q805. 1,273 respondents or 47.38% did not need to borrow and 918 respondents or 34.16% did not want to borrow. The respondents did not want to borrow money and were afraid of not being able to pay their debts. 416 respondents agreed with this reason stated in question Q806.

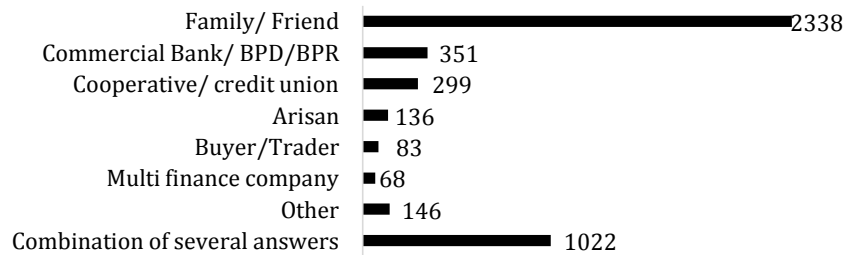
### Q805: Main Reason for Never Borrowing



**Figure 13. Q805 Main Reason for Never Borrowing**

Source: SOFIA data process 2019

### Q807: From Where Borrowed Money

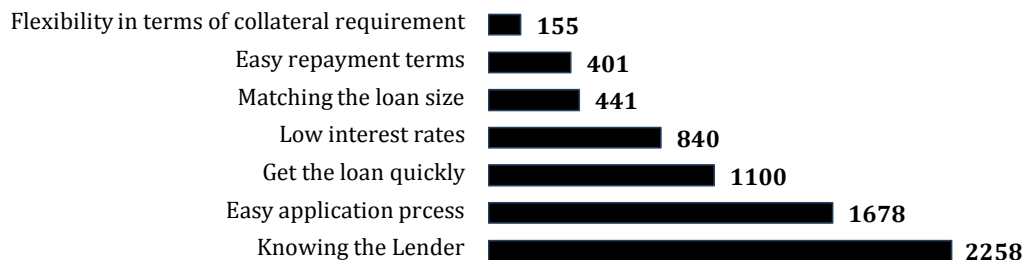


**Figure 14. Q807 Where Borrowed Money**

Source: SOFIA data process 2019

The most answers are from family / friends, as many as 2,338 or 52.62% whereas respondents who use the banks is only 351 or 7.90%. Factors that influence people in East Java desire to borrow are Respondents have known colleagues or borrowers or are familiar with the lenders as many as 2,258 respondents or 32.85% agreed. The second highest reason is the easy to apply process, 1,678 respondents or 24.41%. That is why family / friends become the biggest place for Respondents to borrow because Respondents know and the loan process is easy.

### Q830: Loan Factor



**Figure 15. Q807 Loan Factor**

Source: SOFIA data process 2019

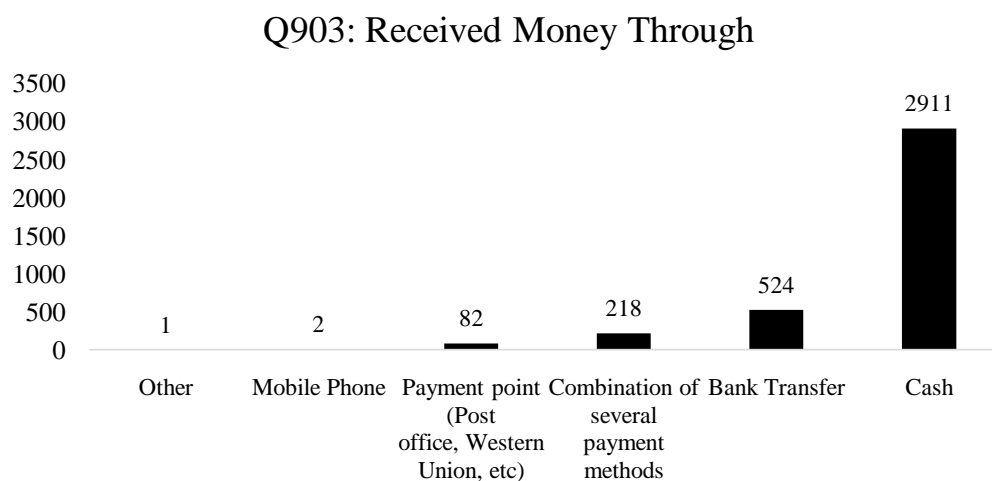
c. Access to using Financial Technology

This section will give an overview of the accessibility of the people in East Java to using Financial Technology related to receiving and giving money using various media. In Q901 respondents were asked about ever receiving remittance. 3,736 or 54.36% said that respondents had received remittances and 3,137 or 45.64% said they had never received.

**Tabel 10. Respondent profile related to using Fintech in receiving money**

<b>Q901: Received Remittance</b>	
Yes	3,736
No	3,137
Total	6,873

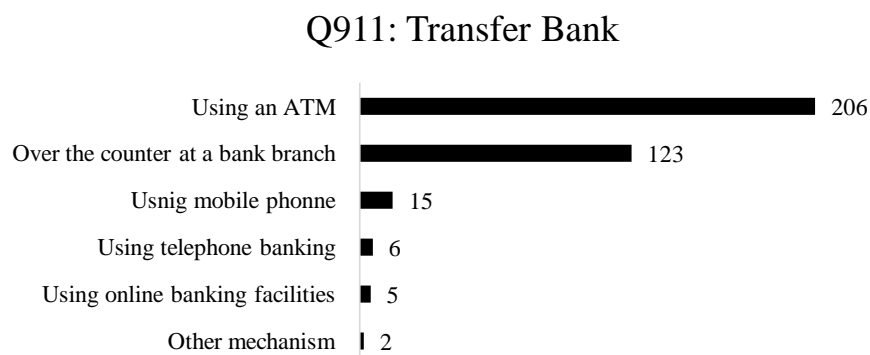
Source: SOFIA data process 2019



**Figure 16. Q903 Received Money Through**

Source: SOFIA data process 2019

Question Q903 asks through which media Respondents received 2,911 respondents or 77.92% answered that Respondents received them in cash, using bank transfer only 524 or 14.03% and the use of *mobile phones* is only 2 or 0.05%.



**Figure 17. Q911 Transfer Bank**

Source: SOFIA data process 2019

Q911 questions regarding in what way respondents send money using bank transfers. 206 or 57.70% started using ATMs followed by 123 or 34.45% using

counters at bank branch offices, and 26 or 7.24% using mobile phones as a medium to transfer.

**Tabel 11. Respondent profile related to using Fintech to paid bills**

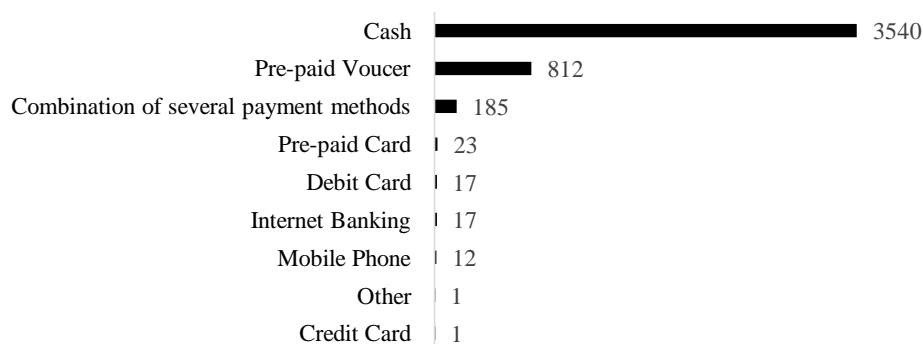
**Q916: Paid Utilities Bills**

Yes	4.608
No	2.265
Total	6,873

Source: SOFIA data process 2019

In terms of bill payments using financial technology it stated in Q916, respondents were asked to respondents about had paid bills such as electricity, water, etc. The majority of respondents as many as 4,608 or 67.04% answered they had paid utilities bills and the remaining 2,265 or 32.96% had not.

**Q917A Media to paid bills**



**Figure 18. Q917A Media to paid bills**

Source: SOFIA data process 2019

Furthermore, when respondents were asked about what media payments were, 3,540 or 76.82% said they paid in cash, and the use of financial technology (such as internet banking, debit cards, credit cards, prepaid cards, mobile phone, etc.) was only 70 respondents or 0.015% from here we can concluded that financial utilization technology is very minimal especially at the people of East Java.

## CONCLUSION

East Java's public literacy is ranked 6th with 35.60% of the entire provinces in Indonesia so that it can be concluded that the East Javanese already in the well literated category. If we look at data from the results of the questionnaire given to the public through SOFIA on Q607 questions related to whether the respondent has ever participated in a socialization / education related to finance, the majority of respondents answered never. This should be in the spotlight of the government, especially the Government of East Java Province to increase education for the community.

According to SOFIA the people of East Java in general do not use banks and other financial institution services because they still do not have enough money set aside to save. Their money is still used for daily needs. Saving is still widely used for preventive matters and used as funds for education. This is very good considering everyone has risks faced in the future.

Reason for the Respondents to borrow money in financial institutions they claimed still did not need or did not want to borrow. The reason most chosen by respondents was, Respondents were afraid unable to return the money they borrowed, and if the respondents borrowed more of them to lend to their family or friends this happened because Respondents felt familiar and closer and easier to withdraw. Strong emotional closeness is the reason for the society in determining decisions in conducting loan transactions. So there is still a lot of homework to be done related to financial inclusion, one of which is to facilitate and provide understanding to the public to access it.

Characteristics of the reasons for the respondents to borrow the majority said that borrowed were used for personal consumption. Even though there were some respondents who wanted to use the loans to purchase fixed assets such as land and houses or to use these loans to start businesses and expand businesses.

The use of financial technology is still very minimal, this can be seen from the response of respondents to questions about transfers and payments. The results of the questionnaire indicate that the method of payment and receipt of money is still dominated by cash. This can be due to people who are not familiar with financial technology it become a homework to stakeholder to provide understanding to the community to using financial technology.

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