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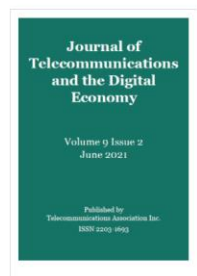
“Mobile Technologies, Financial Inclusion, and Inclusive Growth in East Indonesia”

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About the Journal

The *Journal of Telecommunications and the Digital Economy* (JTDE) is an international, high quality, peer reviewed journal, indexed by Scopus and Google Scholar, covering innovative research and practice in Telecommunications, Digital Economy and Applications. The mission of JTDE is to further through publication the objective of advancing learning, knowledge and research worldwide.



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» For Readers



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Mobile Technologies, Financial Inclusion, and Inclusive Growth in East Indonesia

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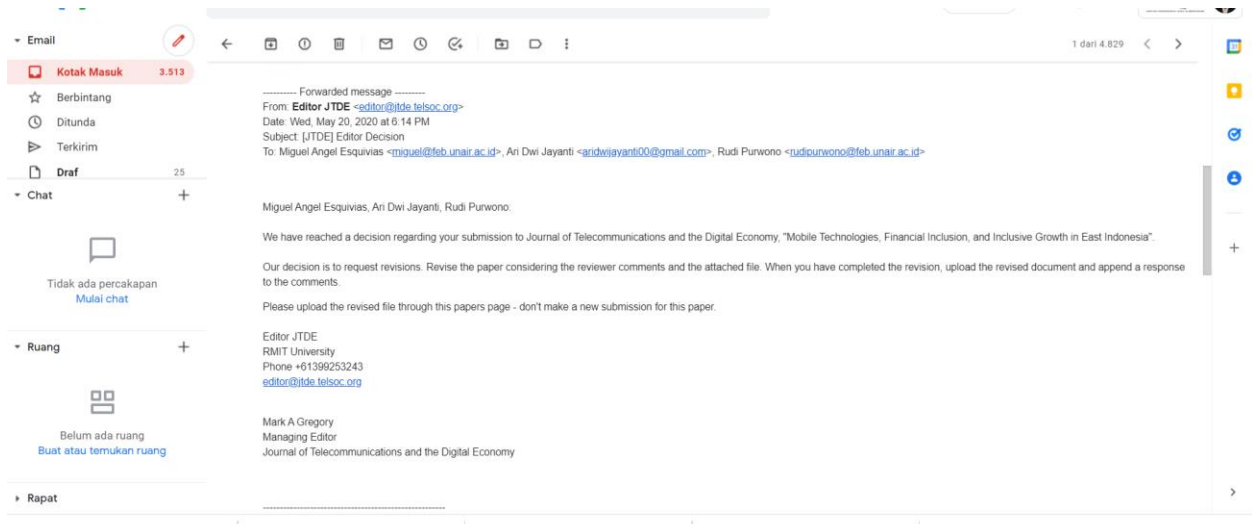
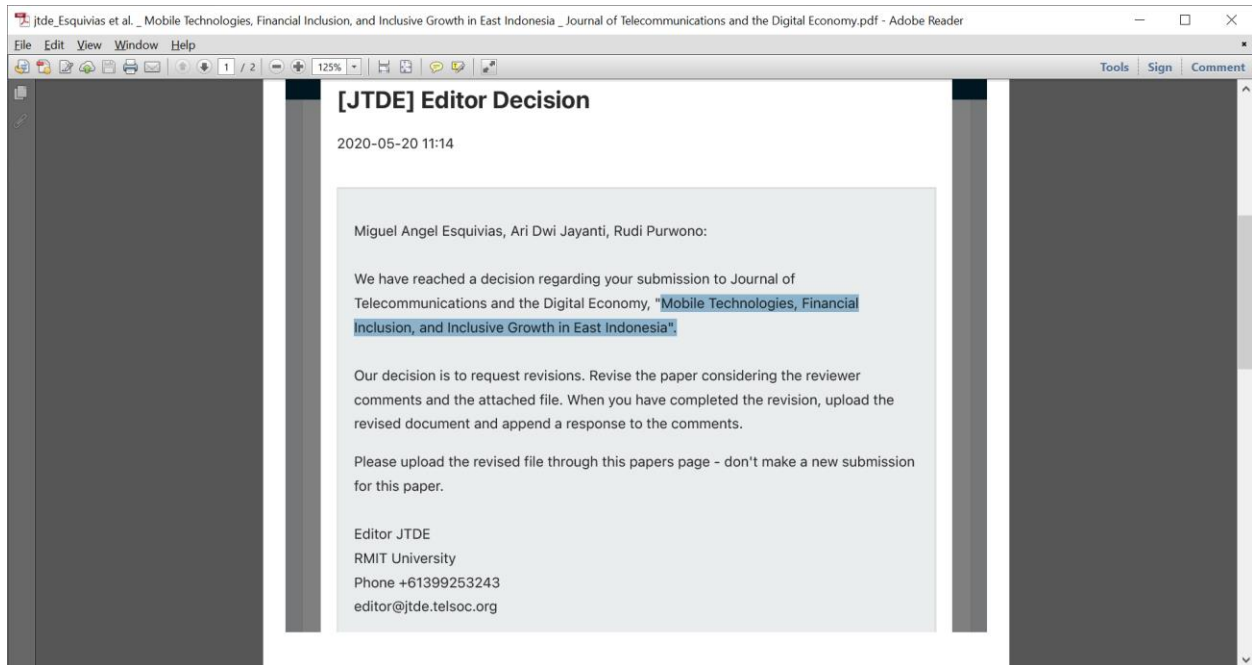
Information
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1. Article Submission

Submission awal dan submission revisi oleh Penulis dilakukan melalui email

#20 Mei 2020

Submission dan konfirmasi Editor Jurnal melalui sistem Website Open Journal System (OJS) dan email



2. Review Article Process

#20 Mei 2020

Hasil Review dari Reviewer

This screenshot shows an email from Reviewer A. The email header includes the Gmail logo, a search bar with the text "Telusuri semua percakapan", and a location indicator "Tidak di tempat". The email body contains the following text:

Reviewer A:
Recommendation: Revisions Required

What are the most important contributions of the paper?

The paper evaluated two topics, i.e.

- a. the influence of mobile technologies on financial inclusion
- b. the impact of mobile technologies and financial inclusion on the individual income both within the case of people in East Indonesia (East Java, West Nusa Tenggara (NTB), East Nusa Tenggara (NTT) and South Sulawesi) during 2017.

The paper suggested that digital technologies have a positive impact on financial inclusion and on incomes in Indonesia. It suggested that higher technology is driving higher demand for formal finance (saving and credit), lowering access to informal services, and raising the likelihood of employing other financial services.

Feedback to author(s)

This paper shows good understanding on processing survey data to extract meaningful insights. Personally, I will support this paper to be published, after you revise several points below:

1. I have noticed some typos: please check and revise
2. Fix some of the subscript of the parameter in the paragraph (not in the equation format), e.g. γ_i
3. Reduce and align the table in page 9 (Table 3) and page 20 (table 9) to be well presented in one page.

This screenshot shows an email from Reviewer B. The email header includes the Gmail logo, a search bar with the text "Telusuri semua percakapan", and a location indicator "Tidak di tempat". The email body contains the following text:

Reviewer B:
Recommendation: Revisions Required

What are the most important contributions of the paper?

Confirmation of the co-existence of a range of characteristics associated with financial inclusion and income.

Feedback to author(s)

This is a very interesting study and you are to be congratulated on the paper. However I would ask you to very seriously consider the notes that I have included in the attached version of the paper because they raise some very important issues about the nature of the correlations that you have discovered. In particular, suggestions of causality could equally operate in the reverse direction from that expressed, and the study itself appears not to offer reasons to prefer one view over the other.

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<http://jtdc.telsoc.org/>

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people from three other provinces outside Java. East Java is the second largest province in Indonesia (with 40 million people of the total 270 million nationwide) and the gateway to East Indonesia. A further contribution to the literature arises as we investigate whether broader access to technology and better access to financial services play a role in improving the welfare of individuals in Indonesia (higher income). The effect of mobile technology on finance and the combined effects of technology and finance on income remain as empirical questions.

This study uses the Survey on Financial Inclusion and Access (SOFIA) in 2017, which includes East Java, West Nusa Tenggara (NTB), East Nusa Tenggara (NTT) and South Sulawesi, and has a total sample size of 20,000. A probit method is employed to analyse how individual

¹ International Telecommunication Union, World Telecommunication/ICT Development Report and database.

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Page 2 of 21 7130 words English (Australia)

Reviewer

Reviewer May 08, 2020
It would be useful to explain what a probit method is, either in the body of the article or in a footnote.

[Reply](#) [Resolve](#)

Efforts to advance inclusion are in place (Lanto, 2015; Tambunan, 2018; Yoshino & Morgan, 2016), which will promote financial literacy, regulation, and the facility to expand services. Nevertheless, Indonesia ranks as an average country in financial inclusion, as demand for finance is limited to basic services (e.g., payments, as in Kostov, Arun, & Annim, 2015), which offer only weak incentives for banks to expand. Besides, the high cost of finance, barriers, market failures, and self-exclusion remain (Cole, Sampson, & Zia, 2011).

Substantial evidence suggests that large social gaps among people remain, possibly as financial literacy and knowledge are low (Allen et al., 2012; Grohmann et al., 2018). Cole et al. (2011) provide evidence for how literacy influences financial behavior that is associated with better decision-making, broader demand for services, and wiser use of services. Technology provides a potential link to address literacy and knowledge, as mobile technologies contribute to more in-depth financial inclusion (Ouma et al., 2017), by providing information (Abor et al., 2018), broader access to services, facilitating account management and securing transactions. Additionally, technology creates a more conducive environment for finance associated with broader access, lower cost, proximity, and less documentation, by removing barriers (Allen et al., 2016).

Reviewer May 08, 2020
Unclear what is intended here and the sentence might well be recast. Are you saying that financial literacy and poor levels of knowledge are the reason for large social gaps? I suspect not but that is how it reads. I suspect that you are saying that the large social gaps contribute to low financial literacy which might then serve to entrench large social gaps.

[Reply](#) [Resolve](#)

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Effects of Mobile Technologies and Financial Inclusion on Income

Table 5 displays the results of the OLS estimates for the effects of mobile technologies on income. *Table 6* applies the same model relating different financial services to income. Low tech (mobile phones) and high tech (smartphones) are positively associated with higher per capita income level, significant at a 1% level. People owning a mobile phone (tech low) have a 12% probability $[(\exp(0.119)-1)*100]$ of escaping low-income status, 8.8% higher likelihood of belonging to the medium income group, and 3.36% likelihood of being among the high-income earners. Access to high-tech increases likelihood to belong to a higher income group beyond that associated with the simple mobile phone, by 5% to 7%.

Table 5 Estimates for Basic Mobile Phones and Smart Phones and Inclusive Growth (Income)

	East Indonesia			East Java (JATIM)		
	Income Low	Income Medium	Income High	Income Low	Income Medium	Income High
Tech_Low	-0.119***	0.0882***	0.0336***	-0.107***	0.0848***	0.0234***
Tech_High	-0.176***	0.135***	0.0340***	-0.223***	0.186***	0.0295***
N Obs	19202	19202	19202	6675	6675	6675
Log Likelihood	-12927.17	-12894.53	-4706.85	-3439.78	-3514.29	-1236.94

Page 11 of 21 7130 words English (Australia)

Reviewer
Is this expressed the wrong way round? Surely belonging to a higher income group increases the likelihood of access to high-tech.

	Low	medium	high	Low	medium	high
Tech_Low	-0.119***	0.0882***	0.0336***	-0.107***	0.0848***	0.0234***
Tech_High	-0.176***	0.135***	0.0340***	-0.223***	0.186***	0.0295***
N Obs	19202	19202	19202	6675	6675	6675
Log Likelihood	-12927.17	-12894.53	-4706.85	-3439.78	-3514.29	-1236.94
Pseudo R ²	0.0287	0.0175	0.0167	0.0290	0.0187	0.0113

Note. Standard errors not display due to space limitation. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

The effects of technology on individuals in East Java are higher than individuals outside Java, as using high-tech increases the likelihood of individuals escaping the low-income level (22.3%) and raises the likelihood of being a middle-income earner by 18.6%. This finding suggests superior technology within Java Island, versus out-of-Java areas, where access to technology results in higher empowerment.

Mobile technologies can influence the welfare of people who may in fact save because of: more effective communication, lower transaction costs, more available information (Potnis, 2015),

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Reviewer
Also, is this not expressed the wrong way round – see previous comment.

Reviewer
There is nothing in the study that supports this conclusion any more than the reverse – that higher empowerment results in access to superior technology.

Note. Standard errors not display due to space limitation. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

At the same time, those who are banked have nearly 25% higher likelihood of escaping the low-income level group, more than 14% probability of belonging to the medium-income class, or to climb towards a higher income (6.4%). Formal financial services have a higher impact on income than access to semi-formal and formal non-bank services and larger significant effects when compared to informal finance (e.g., family). While borrowing from family increases likeliness to exit the low-income level by 7%, an individual borrowing from family has a negative likelihood of making it to medium-high income level. Access to credit from suppliers or business increases the likelihood of having higher income levels, which is in line with the findings of Chauvet and Jacolin (2017) who argue that financial inclusion supports firm performance and competitiveness.

A combination of access to technology and access to finance offers positive effects for more inclusive growth, and brings about larger effects within East Java as opposed to out-of-Java. Access to formal services offer 60% higher effects in income inclusion versus access to semi-formal service and formal non-bank services.

The marginal effects of mobile financial services are rather small, suggesting that the potential

Reviewer
 Yes, it is consistent, but it should be pointed out that performance and competitiveness are different concepts to having higher income. If the further claim is that these are linked concepts that should be stated.

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model suggests that the variables are significant (1% level), meaning that both sets of variables should be jointly estimated (mobile devices and income level) as there is multi-directional causality. The results in Table 4 are similar to those of the OLS (magnitudes).

A low-income individual is 11% less likely to have a simple mobile phone, and 49% less likely to have a high-tech device than a medium-income earner. By contrast, middle-income people are only 4% unlikely not to have a phone and 20% unlikely not to own high tech devices.

The use of technology reduces the likelihood of people belonging to a certain income level. For example, individuals employing simple mobile phones were 11% less likely to be low income. A similar individual employing high-tech devices is 30% less likely to be low income. A mobile phone increases the likelihood of individuals (8%) belonging to the middle-income class, and a higher-tech device makes them 22% more likely to be middle-income earners.

A bankable individual also has lower likelihood of being low income (26%) as opposed to those who are not banked. Access to semiformal services also lowers the likelihood of individuals being low income; nevertheless, the marginal effect is nearly half of the formal banking. Informal services play only 3% in favor of individuals to be excluded from the low-income

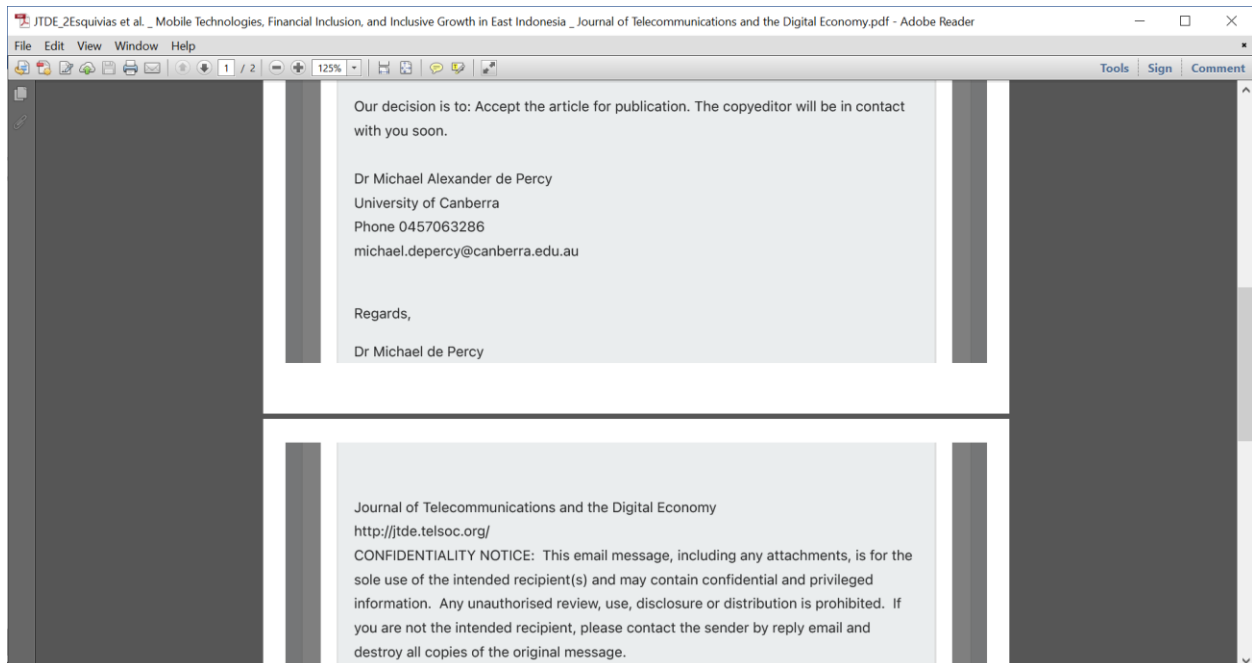
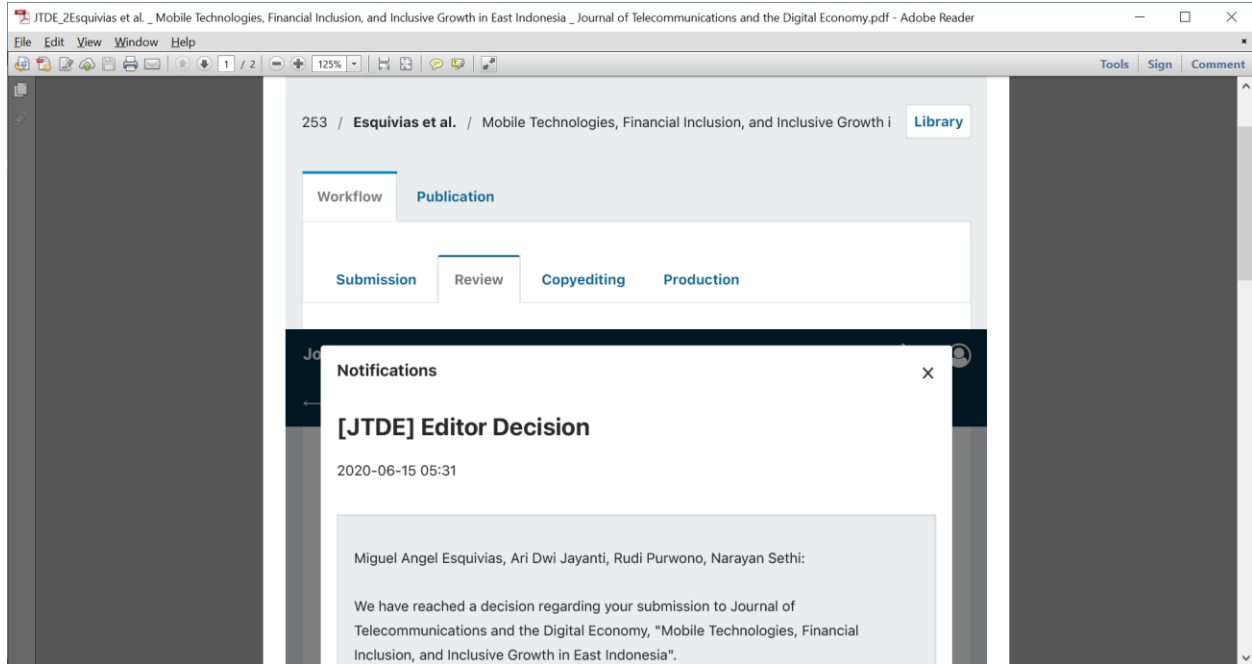
Reviewer
 Again, this conclusion is no more supported by the study than stating it the other way round – that having a middle-income makes mobile phone ownership and high tech device ownership. The reasons are not hard to imagine!

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3. Accepted Journal Publication

#15 Juni 2020

Pemberitahuan dari Editor bahwa artikel sudah **accepted**



#9 Juli 2020

Pemberitahuan dari Editor bahwa artikel memasuki tahap produksi untuk publikasi

