



# **MALAYSIA – INDONESIA SEMINAR ON PUBLIC ADMINISTRATION 2018**

**Enhancing Public and Corporate Administration for  
Sustainable Development Goals (SDGs)**

## **EXTENDED ABSTRACT**

**23<sup>rd</sup> April 2018**

**Faculty of Administrative Science & Policy Studies,  
Kampus Seremban 3, UiTM Negeri Sembilan**

eISBN 978-967-0171-85-2



9 789670 171852

**Co-organized by:  
Faculty of Administrative Science & Policy Studies (FSPPP)  
UiTM, Malaysia and  
Faculty of Social and Political Science (FISIP),  
Universitas Airlangga, Indonesia**

## **FOREWORD**

This is a compilation of abstracts from the ‘Malaysia-Indonesia Seminar on Public Administration 2008’ held at the Faculty of Administrative Science and Policy Studies, Seremban Campus, Universiti Teknologi MARA, Negeri Sembilan on 23<sup>rd</sup> April 2018. There are 26 papers presented from the Faculty of Administrative Science and Policy Studies (FSPPP), UiTM, Malaysia and Faculty of Social and Political Science (FISIP), University of Airlangga, Indonesia.

Dr Hajah Fadilah Hj Puteh

Head of Reviewer Committee  
Faculty of Administrative Science and Policy Studies  
Universiti Teknologi MARA, Malaysia

## EDITORIAL TEAM

1. Dr Hajah Fadilah Hj Puteh  
Faculty of Administrative Science and Policy Studies,  
UiTM Shah Alam MALAYSIA  
[fadilahputeh@salam.uitm.edu.my](mailto:fadilahputeh@salam.uitm.edu.my)
2. Dr Hajah Nor Hafizah Mohamad Harith  
Faculty of Administrative Science and Policy Studies,  
UiTM Shah Alam MALAYSIA  
[norha561@salam.uitm.edu.my](mailto:norha561@salam.uitm.edu.my)
3. Dr Aliza Abu Hassim  
Faculty of Administrative Science and Policy Studies,  
UiTM Shah Alam MALAYSIA  
[aliza770@salam.uitm.edu.my](mailto:aliza770@salam.uitm.edu.my)
4. Puan Hajah Memiyanty Hj Abdul Rahim  
Faculty of Administrative Science and Policy Studies,  
UiTM Shah Alam MALAYSIA  
[memiyanty@salam.uitm.edu.my](mailto:memiyanty@salam.uitm.edu.my)
5. Puan Asiyah Kassim  
Faculty of Administrative Science and Policy Studies,  
UiTM Shah Alam MALAYSIA  
[asiyah@salam.uitm.edu.my](mailto:asiyah@salam.uitm.edu.my)

## ACKNOWLEDGEMENT

We would like to express our gratitude to the following reviewers for their great contributions:

1. Prof. Madya Dr Yarina Ahmad  
Faculty of Administrative Science and Policy Studies,  
UiTM Shah Alam MALAYSIA  
[yarina@salam.uitm.edu.my](mailto:yarina@salam.uitm.edu.my)
2. Dr Hajah Azizan Zainuddin  
Faculty of Administrative Science and Policy Studies,  
UiTM Shah Alam MALAYSIA  
[azizan\\_zainuddin@salam.uitm.edu.my](mailto:azizan_zainuddin@salam.uitm.edu.my)
3. Dr Tuan Nooriani Tuan Ismail  
Faculty of Administrative Science and Policy Studies,  
UiTM Shah Alam MALAYSIA  
[tnsya800@salam.uitm.edu.my](mailto:tnsya800@salam.uitm.edu.my)

## TABLE OF CONTENTS

<b>Foreword</b>		1
<b>Editorial Team</b>		2
<b>Acknowledgement</b>		3
<b>Paper</b>	<b>Title</b>	<b>Page</b>
Paper 1	The Quadrapel Helix: Sustainable Inovation System as Solution for Formal Education Problems in Dusun Kedung Pandan, Desa Tlocor Sidoarjo <i>Weka Nastiti Prana Yuanti &amp; Sulikah Asmorowati – University of Airlangga Indonesia</i>	7
Paper 2	Public Private Partnership in Equitable Quality of Education (Case Study of Partnership between Banyuwangi Government and Ruangguru.com) <i>Parlaungan Iffah Nasution &amp; Falih Suaedi - University of Airlangga Indonesia</i>	11
Paper 3	Financial Inclusion Optimization Through Financial Services to Reduce Poverty in Indonesia <i>Yasinta Dwi Andryani &amp; Erna Setijaningrum - University of Airlangga Indonesia</i>	15
Paper 4	Evolution of Theories on Community Development by Local Government <i>Themmolli Vadeveloo &amp; Kuppusamy Singaravelloo – Universiti Teknologi MARA Malaysia</i>	19
Paper 5	Pembaharuan Sektor Kesehatan di Malaysia: Quo Vadis? <i>Mazlan Che Soh - Universiti Teknologi MARA Malaysia</i>	23
Paper 6	Waste Bank as a Strategy to Create a Better Waste Management System Leads to the Sustainability City Environment and Society in Surabaya <i>Endar Heryan Pajri &amp; Antun Mardiyanta - University of Airlangga Indonesia</i>	27
Paper 7	Urban Farming as A 3 In 1 SDGs Implementation: Urban Farming’s Success in Gresik <i>Yureta Wahyu Caesar - University of Airlangga Indonesia</i>	31
Paper 8	Village-Owned Enterprises (BUMDes) As A Rural Development in Indonesia <i>Lusy Giri Pratiwi &amp; Roestoto Hartojo Putro- University of Airlangga Indonesia</i>	34
Paper 9	Corporate Social Responsibility (CSR) melalui program Integrated Community Development (ICD) <i>Christina Tityanda Putri - University of Airlangga Indonesia</i>	38

Paper 10	The Efforts Department of Cleanliness and Landscaping in Waste Management in Malang <i>Jitzhac Andrew Rafael Mandowen &amp; Lantri Vidya Pura - University of Airlangga Indonesia</i>	42
Paper 11	Have Parents Done Enough to Protect and Uphold Their Children’s Rights and Privacy to Promote Peaceful and Inclusive Societies for Sustainable Development? <i>Siti Nur Fathanah Abd Hamid, Yarina Ahmad &amp; Nor Suziwana Tahir - Universiti Teknologi MARA Malaysia</i>	45
Paper 12	Medical Tourism Development in South East Asia Region: Malaysia, Indonesia, Thailand and Singapore <i>Nur Alia Azmi, Suseela Devi S. Chandran &amp; Fadilah Puteh - Universiti Teknologi MARA Malaysia</i>	49
Paper 13	Ensuring Sustainable Drug Treatment and Rehabilitation in Malaysia by Empowering the Client Through ‘555 Note Book’ <i>Siti Zulaikha Mustapha, Nor Hafizah Mohamed Harith &amp; Tuan Nooriani Tuan Ismail - Universiti Teknologi MARA Malaysia</i>	53
Paper 14	Corporate Governance Attributes and Firm’s Financial Performance in Family-Owned Companies <i>Abdul Razak, S. S., Memiyanty, A. R., &amp; Tahir, N. S. - Universiti Teknologi MARA Malaysia</i>	57
Paper 15	Understanding Housing Challenges Among Younger Generation Towards Sustainable Housing Development <i>Mahazril ‘Aini Yaacob - Universiti Teknologi MARA Malaysia</i>	61
Paper 16	Customer’s Satisfaction Through Social Accountability Mechanism: The Role of Community Scorecard in The Public Service <i>Marni Binti Hj Ghazali - Universiti Teknologi MARA Malaysia</i>	65
Paper 17	Gerontechnology: Pursuing Gender Equality Through “Silver net” Mobile Job Application to Promote the Culture of Productive Ageing in Malaysia <i>Aslinda Ramely, Yarina Ahmad &amp; Nor Hafizah Mohamed Harith - Universiti Teknologi MARA Malaysia</i>	69
Paper 18	Factors Contribute to The Successful of Small and Medium Enterprises (SMEs) in Kelantan	73

*Salwany Binti Malik, Nur Anisha Binti Azmi & Nor Azira Binti Ayob - Universiti Teknologi MARA Malaysia*

Paper 19	Towards Sustainable Economic Development Through Corporate Social Responsibility Program with Small Medium Enterprises <i>Lutfia Nurul Hidayati, Ary Miftakhul Huda, Merintha Suryapusita - University of Airlangga Indonesia</i>	77
Paper 20	The Role of Youth Investors in Promoting Good Corporate Culture: A Way to Promote Sustainable Development Goals (SDGs) <i>Arifha Mohamad, Nor Suziwana Tahir &amp; Yarina Ahmad - Universiti Teknologi MARA Malaysia</i>	81
Paper 21	The Exploration of Employee Engagement in Driving Citizen Centric Public Service Towards Excellence <i>Norazlin Mohd Nor, Tuan Nooraini Tuan Ismail &amp; Fadilah Puteh - Universiti Teknologi MARA Malaysia</i>	85
Paper 22	Factors that Influence the Public Perception on The Existence of Social Enterprise in Seberang Perai Tengah, Penang <i>Nurafini Binti Zahid, Nur Husna Binti Mohamad &amp; Nor Azira Binti Ayob - Universiti Teknologi MARA Malaysia</i>	88
Paper 23	Dancing with Legitimacy: Urban Governance and Public Engagement for SDG11 <i>Asiyah Kassim - Universiti Teknologi MARA Malaysia</i>	92
Paper 24	Embedding 5S: Aged-Friendly Space Guideline, to Promote Sustainable Cities and Communities <i>Nur Amalina Aziz, Yarina Ahmad &amp; Azizan Zainuddin - Universiti Teknologi MARA Malaysia</i>	96
Paper 25	An Assessment on Public-Private Partnership (PPP) Promises and Challenges to Sustainable Infrastructure Development <i>Zurina Md Nen &amp; Jasmine Ahmad - Universiti Teknologi MARA Malaysia</i>	99
Paper 26	Budaya Tular di Media Sosial dalam Politik Malaysia <i>Badrul Azmier Mohamed, Mohammad Agus Yusoff &amp; Sity Daud - Universiti Teknologi MARA Malaysia</i>	103
Paper 27	Accidents Involving Lorry Drivers in Malaysia and Initiatives Taken to Rectify the Problems <i>Farah Adilla Ab Rahman - Universiti Teknologi MARA Malaysia</i>	107

# FINANCIAL INCLUSION OPTIMIZATION THROUGH FINANCIAL SERVICES TO REDUCE POVERTY IN INDONESIA

Yasinta Dwi Andryani<sup>1</sup>, Dr. Erna Setijaningrum, S.IP., M.Si<sup>2</sup>

<sup>1</sup>Undergraduate Student of Public Administration Department, Faculty of Social and Political Science, Airlangga University

[yasinta.dwi.a-2014@fisip.unair.ac.id](mailto:yasinta.dwi.a-2014@fisip.unair.ac.id)

<sup>2</sup>Lecturer of Public Administration Department, Faculty of Social and Political Science, Airlangga University  
[erna.set70@gmail.com](mailto:erna.set70@gmail.com)

## ABSTRACT

Financial inclusion became a worldwide trend after the global crisis in 2008. Related to the SDGs, financial inclusion through widening the financial access is one way that can be implemented to achieve SDGs's first goal, end poverty in all its forms everywhere. This article using secondary data through literature review methods, and the objective of this article is to describe how the financial inclusion optimization through financial services to reduce poverty in Indonesia. The results are there are two approaches to increase the financial inclusiveness. The first approach is formulating a national strategy and the second approach is make separated financial inclusion programs. Indonesia government implement both of the approaches. They have a national strategy document (*Strategi Nasional Keuangan Inklusif*). Two of the most significant programs are digital financial services and branchless banking system named *Layanan Keuangan Tanpa Kantor Dalam Rangka Keuangan Inklusif*. The study finds that optimization of financial inclusion through financial services to reduce poverty in Indonesia has not accompanied yet by the optimization of financial literacy. This study suggests that the optimization of financial literacy and strengthening cooperation among the stakeholders are important.

## Keywords

Sustainable Development Goals, financial inclusion, financial accessibility, financial services, poverty.

## 1. INTRODUCTION

Poverty and inequality phenomenon have been a global concern. Both of these classical problems seem to never cease to be discussed, especially for developing countries, including Indonesia. It explains why No Poverty becomes SDGs's number one goal. Amartya Sen stated that the cause of poverty, powerlessness and backwardness is lack of access. This limitation of access leads to limited choices for developing their potential. In the end a group of people are just doing what they have to do, not what they should be doing. Sen's intended accessibility is to facilitate political freedoms, economic and social opportunities (education, health, etc.), transparency, and the existence of social safety. One of sector which plays a significant role in current global era is financial. Optimizing existing resources needs to be done by the government to encourage people to get involved in economic development including in the financial sector. This can be realized if every part of society has access to utilize formal financial services in accordance with their needs and abilities to prosper. Efforts to improve community accessibility in the use of financial services are often referred to as financial inclusion. Inclusive financial policy is a deepening financial service targeting the bottom-middle class (in the bottom pyramid).

Financial inclusion term is emerging simultaneously with the awareness that the lives of the poor should be improved. It become an important global concern and become priority for policymakers in financial sector development as part of ensuring sustainable long-term economic growth. The terms of financial inclusion became a trend in 2008 after global economic crisis that plagued lower classes of society. In 2009, UNDP together with some financial institutions made a projects aiming to increase financial inclusion for the poor by developing appropriate financial products and services, particularly for women. In the same year, G20 countries member agreed that increasing financial services accessibility is necessary, and in 2010 they formulated 9 innovative financial inclusion principals, they are leadership, diversity, innovation, protection, empowerment, cooperation, knowledge, proportionality, and framework. In 2015, World Bank estimates, approximately 2 billion people in the



world don't use the formal financial services. Also, about 50% of the adults in the most deprived households are unbanked or underbanked. In 2016, ASEAN has created a 2016-2025 roadmap by defining 3 pillars in the financial sector, they are integrated finance, financial inclusion, and financial stability of each country. Financial inclusion is expected to be an instrument to achieve prosperity and make every part of the ASEAN community have equal access to financial services.

To understanding about financial inclusion there are some definitions of it. World Bank defines that financial inclusions is providing accesability to useful and affordable financial products and services both for individual and business. The Accesibility of financial products and services would ease the interest of both individual and business starts from making transactions, payments, saving, credit, and insurance. Meanwhile Asia Development Bank (ADB) defines that providing poor and low income households and their micro enterprises to access the financial services can be considered as the financial inclusion. While, United Nations stated that inclusive financial sector can be considered by the accesability to provide insurances, credit, payments, savings, for every people and enterprises that have a bank account. From these definitions, we can get somecorepoints in defining financial inclusion which is the accesability, availability for both individual or business, and equal opportunity of access to financial services.

Financial inclusion and poverty reduction topic has been undertaken by several studies, as did Sarma and Pais in 2011 stating that there is a positive relationship between the level of human development and financial inclusion. Another studiy, Levine (1997) also stated that there is a positive relationship between the financial system and long-term economic growth. Sanjaya (2014) in his research produced results that financial inclusion through microcredit programs can improve the social or economic status of the poor. From these various studies, it can be concluded that financial inclusion has a significant impact on reducing poverty. With the financial inclusion where all part of society can access basic financial services, so that people can improve economic capacity and get out of poverty. This expansion of access also extends the level of participation of all levels of society in the economy.

## **2. RESEARCH METHODS**

This article using secondary data through literature and documents review methods. Some different journals and also government websites have been used to describe financial inclusion in Indonesia. Based on the data, some possible reccomendations which could increase the optimization financial iclusion in Indonesia have been given. The objective of this article is to describe how the financial inclusion optimization through financial services to reduce poverty in Indonesia.

## **3. FINDINGS AND DISCUSSION**

According to Financial Inclusion Index Survey by World Bank, in 2014 financial inclusion index in Indonesia is at 36%, meanwhile Thailand is at 78% and Malaysia is at 81%. This data shows that the Indonesia's financial inclusion index is low compared to other countries in ASEAN. Indonesia government targeting 75% in 2019 for the financial inclusion index. Based on several articles, we found that there are differences among Indonesia's index financial inclusion data in recent years. According to Indonesia financial literacy and inclusion survey by *OJK*, it shows that in 2016 the index of financial inclusion in Indonesia is at 67.82%. This number increased compared to 2013 which ammounted 59,74%. Meanwhile according to Bank Indonesia Supervision of Payment System Deputy Director, the index of financial inclusion in Indonesia reach 50 – 55 % in 2018. Some reasons behind the lack of financial accessibility are low levels of income, the complexity of the bank's operational arrangements, lack of financial and banking education, the high cost of bank administration, and also the banks location that tend to be far and inaccessible from community housing. Accessibility of financial services is one of the financial inclusive indicator. It means that accesibility plays important roles to implement the financial inclusion. Not only that, in March 2017 the number of poor people in Indonesia reached 27.77 million people or 10.64 percent of the total population in Indonesia. This number increased by 6.90 thousand population when compared to September 2016 which amounted to 27.76 million (Badan Pusat Statistik, 2017).

In Indonesia, the financial inclusion optimization implemented by formulating the national strategy of inclusive finance or SNKI (*Strategi Nasional Keuangan Inklusif*). As a document, this strategy used for the stakeholders guideline to optimize the national financial inclusion. On the ASEAN Summit 2011, Indonesia's president stated his commitment to implementing inclusive finance to having a National Strategy for Inclusive Finance. In 2012 government started to formulate the national strategy for inclusive finance document. The SNKI document includes vision, mission, goals, and inclusive financial policies to encourage economic growth, accelerate poverty alleviation, reduce inter-individual and inter-regional inequality. There are 4 points in the inclusive financial policy of the National Strategy of Inclusion Finance (SNKI), they are pillars and foundations, inclusive financial targets and indicators, coordination between ministries or institutions, and inclusive financial action.

Overall, there are some important findings that become the issue of optimizing financial inclusion through financial service to reduce poverty in Indonesia. These issues lead to the main question, how inclusive this financial inclusion policy is. According to a survey conducted by one of the international consulting agencies of inclusive finance, Microsave, there are only two banks which dominate these programs until September 2017. The first bank is Bank Rakyat Indonesia (BRI) controls the account market by 51%, and the second bank is Bank Tabungan Pensiunan Nasional (BTPN) controls 29%. This indicates that there is a limited number of agents. The increasing number of agents based on data still dominated by these banks. The next problem is the location of the agent is still relatively close to the location of the bank, and it turns out that 90% of the community who use these services already has a bank account before (LPEM FEB UI, 2017). It can be concluded that these programs are not inclusive enough because they have not reached the unbanked community. Both of these problems lead to the bigger problem. The bigger problem is the government of Indonesia see between financial inclusion and financial literacy as the separated thing. They do not see both of them as a one unified body. The optimization of financial inclusion has not been accompanied by the optimization of financial literacy for the community. According to national literacy and financial inclusion survey by OJK in 2016, the financial literacy index was only at 29,66%. Meanwhile, the financial inclusion index was at 67,82%.

With apopulation over 260 million, Indonesia becomes the fourth country with the largest population in the world. Indonesia has 34 provinces, and it divided into 514 regions with over 74 thousand village, it becomes the main challenge for Indonesia government to promote the financial inclusion as one way to reduce poverty in achieving one of SDGs goals, end poverty in all it forms everywhere.

#### **4. CONCLUSION**

Financial inclusion optimization in Indonesia is done through the widening financial access for the community. This optimization can be proven by the increasing of Indonesia's inclusive financial index from 59,74% in 2013 to 67,82% in 2016, conversely financial literacy index was only at 29,66% (Survey OJK, 2016). It can be suggested that the government must formulate and implement several financial literacy programs, such as give periodically socialization particularly in the rural area. After that, doing supervision is also necessary. Supervision can help to maintain the sustainability of the programs. Other than that, the government need to strengthening cooperation among the stakeholders in order to decrease the number of poor and to achieve SDGs number one goal, end poverty in all it forms everywhere.

#### **ACKNOWLEDGEMENT**

We thank to Public Administration Department, Faculty of Social and Political Science, Airlangga University and Faculty of Administrative Science and Policy Studies, Universiti Teknologi MARA which has supported this article to be presented in Malaysia-Indonesia International Seminar on Public Administration. Also special thanks to reviewer team from Faculty of Administrative Science and Policy Studies Universiti Teknologi MARA that provided helpful review and comments to improve the quality of the article. Team assistance is much appreciated.

## REFERENCES

- Dienillah, A. A., & Anggraeni, L. (2016). Dampak Inklusi Keuangan terhadap Stabilitas Sistem Keuangan di Asia. *Bulletin of Monetary Economics and Banking*, 18(4), 409-430.
- Garg, S., & Agarwal, P. (2014). Financial Inclusion in India—a Review of Initiatives and Achievements. *Journal of Business and Management (IOSR-JBM) Vol, 16*.
- Hannig, A., & Jansen, S. (2010). Financial Inclusion and Financial Stability: Current Policy Issues. *Asian Development Bank Institute Working Paper*.
- Levine, R. (1997). Financial Development and Economic Growth: Views and Agenda. *Journal of Economic Literature*. Vol. XXXV 688-726.
- LPEM FEB UI (Lembaga Penyelidikan Ekonomi dan Masyarakat Universitas Indonesia). (2017). Policy Brief: Layanan Keuangan Digital dan Laku Pandai: Inklusivitas, Kendala, dan Potensi.
- Nanda, K., & Kaur, M. (2016). Financial Inclusion and Human Development: A Cross-country Evidence. *Management and Labour Studies*, 41(2), 127-153.
- Otoritas Jasa Keuangan. (2016). Survey Nasional Literasi dan Inklusi Keuangan 2016 Peraturan Presiden Republik Indonesia Nomor 82 Tahun 2016 tentang Strategi Nasional Keuangan Inklusif.
- Sanjaya, I.M. (2014). Inklusi Keuangan dan Pertumbuhan Inklusif sebagai Strategi Pengentasan Kemiskinan di Indonesia. Bogor: Institut Pertanian Bogor. Retrieved from: <http://repository.ipb.ac.id/handle/123456789/71330>.
- Sarma, M., & Pais, J. (2011). Financial Inclusion and Development. *Journal of international development*, 23(5), 613-628.
- Sen, A. (2006). *Conceptualizing and Measuring Poverty. Poverty and Inequality*, 30-46
- Wang, Xiuhua & Jian Guan. (2017). *Financial Inclusion: Measurement, Spatial Effects and Influencing Factors. Applied Economics* , 49(18) 1751-1762.
- Zulkhibri, Muhamed. (2016). Financial Inclusion, financial inclusion policy and Islamic Finance. *Macroeconomics and Finance in Emerging Market Economies*, 1752-0851, 1-19.

### Internet sources

- Badan Pusat Statistik. (2017). Persentase Penduduk Miskin Maret 2017 Mencapai 10,64 persen. Retrieved from <https://www.bps.go.id/pressrelease/2017/07/17/1379/persentase-penduduk-miskin-maret-2017-mencapai-10-64-persen.html>
- Otoritas Jasa Keuangan. (2018). Laku Pandai. Retrieved from <http://www.ojk.go.id/id/Pages/Laku-Pandai.aspx>