

CHAPTER I

INTRODUCTION

A. Background

Financial inclusive terms has been discussed in Indonesia since 2008 after the economic crisis that occurred in Indonesia. The definition of financial inclusive itself does not exist yet, though various institutions try to define it. One of them is from the Reserve Bank of India (RBI) which propose the definition for it is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by regulated mainstream institutional players.

In Indonesia, an the financial inclusive policies have been drafted in the 2016 Regulation Financial Services Authority in 2016 on the chapter improving literacy and financial inclusion in the financial services sector to consumers and or community. In Chapter one, article 1, on seventh paragraph, says that financial inclusive is the availability of access for the public to take advantage of the products and or financial services in the financial services institutions according to the needs and capabilities in order to realize prosperity.

According to the data obtained from the World Bank in 2012, financial inclusives today grow rapidly, for it has a link to the poverty and social phenomena in the financial sector. Fifty two percent of the entire population has accessed to formal financial services in Indonesia; and only almost twenty one

percent are underserved poor. There are about one third of population completely have no savings, and bank credit financed seventeen percent of the population, while the Micro Finance Institutions only reach them for ten percent.

In developing financial inclusive, Financial Services Authority and Bank Indonesia have an important role inside. That is why the national strategy for the development of financial inclusive is held. It aims to encourage better coordination, to continue and expand existing initiatives, identify the obstacles, commit and encourage breakthroughs (DPAK, 2014). Similarly, the Bank Indonesia socializes financial inclusive program, establishes cooperation with relevant stakeholders outside Bank Indonesia, implements financial inclusive activities, and evaluates program of financial inclusive activities (Ibid, 2014).

Based on the strategies described above which knowledge of financial inclusive is still very low in the communit and it needs to be improved. By doing so, the conducted training assistance to the output quality can be maintained. Besides holding training program, which is socialization, local governments also need to cooperate with the banks and the Financial Services Authority to expand the access of society financial services (Ma'ruf & Desiyana, 2015).

In the development of financial inclusive solutions proposed on the study above, besides holding socialization and ongoing training programs, there is more concrete solution that is to expand the access of society financial services. To expand the access of society financial services, it is necessary to build a financial services such as banks, cooperatives, or other financial services. Corporation and

bank itself have two types, that are conventional and Islamic. The difference of these two types is each of them has its own foundation and procedur.

The presence of Islamic system in the financial institution gives a new color and new shades. Islamic economic system is present at a crossroads, and shows its existence among the secular former economic systems (Muqorobin, 2008). The economic crisis in Indonesia on 1998 can be an evidence, when all the conventional banks were bankrupt and even suffered from economic downturn, banks with the Islamic system stayed firm without being effected by the crisis. This incident drew public attention, even until now. FSA head of department of Islamic Banking, Ahmad Buchori, said that the development of Islamic banking in 2016 increased better than 2015. Besides the historical factors, another thing that makes islamic economic system became the center of attention at this time is a characteristic that is offered in the Islamic economic system itself, such as the sharing system that removes interest. Interest often becomes fear for lenders of capital since those who are rich get richer and the poor get poorer.

In this globalization era, which is full of development, of course, many systems are in growth, where the old systems will be replaced by the new systems. Since there are many products are offered, the human desire are increased as well. For this reason, mostly human buy something regardless the necessity but desire. This will have an impact on the financial system on the individual. Such as financial management in the form of income and expenditure, the amount of savings and consumption, investments and accounts receivable, and others. The way one manages his finances will affect his present life, as well as his future.

Talking about financial inclusive, it is closely related to financial literacy. Financial literacy does not exist in any subjects within all levels of education in Indonesia, whereas it is considered important. Therefore, a person's education does not guarantee the persons skill in planning and managing his finances. According to Robert T. Kiyosaki, financial literacy is a basic ability to read and understand financial statements and to control cash flow (cash flow). Each person should know how the financial planning of the income he has. One of the part is to know the income and outcome, as well as to avoid unexpected things in the future. These unexpected things, such as early retirement or bad debt. Many people have to realized the importance of financial literacy, but still lack of knowledge and understanding of how to plan and manage both personal and household finances.

In this study, the researcher will conduct case study in the Tanjung Putri village, Arut Selatan District, West Kotawaringin regency, Central Kalimantan. Tanjung Putri is one of the remote areas decided by the government of West Kotawaringin regency. Tanjung Putri is far away from the central government, it has lack of existing financial institutions. As it was broadcasted in Borneo-News, there are eight villages that are still left behind in all aspects, such as infrastructure, education and healthcare, including financial aspect were many moneylenders are still in high number, which cause the society prefer to get loan from moneylenders rather than corporation. Such event shows that financial literacy level in Tanjung Putri is still low. In this case, the Islamic financial institution is able to be the best solution for the problem because the system that is

applied in Islamic economic make a person wiser in selecting a financial products (Ahmad, 2010).

Indonesia with an area of 1,905 km² certainly has numerous obstacles in spreading welfare, in terms of facilities, education, hospitals, financial institutions, and so on. Therefore, it is undeniable that this becomes our duty to make a change and progress for our country. Likewise what the researcher will do, that is to conduct a research in one of the remote areas in Indonesia.

Based on the elaboration above, as an effort to introduce Islamic financial institutions to support financial literacy in Indonesia, of course, it is not immediately socialized or established, such as BMT (Baitul Maal wa Tamwil). However, the researcher will examine the level of financial literacy; low, medium, or high. For this reason, in this study, the researcher chooses the title “The Awareness of Society on Financial Literacy in The Remote Area, with a case study in Tanjung Putri Village, Arut Selatan District, West Kotawaringin Regency, Central Kalimantan”.

B. Research Questions

1. How is the influence of gender to the awareness level of society in Tanjung Putri village on financial literacy?
2. How is the influence of education background to the awareness level of society in Tanjung Putri village on financial literacy?
3. How is the influence of income to the awareness level of society in Tanjung Putri village on financial literacy?

C. Research Objectives

Based on the problems above, the purpose of this study is to determine:

1. The effect of gender to the awareness level of society in Tanjung Putri village on financial literacy.
2. The effect of education background to the awareness level of society in Tanjung Putri village on financial literacy.
3. The effect of income to the awareness level of society in Tanjung Putri village on financial literacy.

D. Research Benefits

This study is expected to be beneficial for:

1. For other researchers or scientists, since this study can be served as a reference to determine the economic development in Indonesia, particularly in the financial areas, which is financial literacy. In addition, this study can be used as a comparison for similar studies under the same title.
2. For the community, for this research can be a source of reading material for society and are able to increase knowledge and awareness to financial literacy.
3. For the government and relevant institutions, due this study may be a become a source of information, particularly the institutions that develop financial field, for example financial literacy, also as a

consideration in determining the policy and strategy for the economic progress in Indonesia.

E. Problem Limitation

Talking about financial inclusive, it is closely related to financial literacy. This study only focuses on society awareness to financial literacy. The scope of this study is limited by taking case study in remote areas, which is in the Tanjung Putri village, Arut Selatan District, West Kotawaringin Regency, Central Kalimantan.