

FINANCIAL INCLUSION OF THE ISLANDS REGION: CREATING A POVERTY-FREE SOCIETY

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Abstract: This study aims to examine the financial inclusion program in the Indonesian archipelago and its impact on poverty alleviation. This study uses a descriptive qualitative research method by reviewing the real lives of people living in the archipelago in Indonesia using secondary sources related to the single problem of this study, namely financial inclusion in the archipelago as an effort to free people from the trap of poverty as the goal of the SDGs. Access indicators are the main focus of this study. This study found that financial inclusion programs targeting people living in the archipelago in Indonesia are not optimal. The causes are the lack of socialization of financial inclusion, literacy and inclusion targets that are still limited to urban communities, geographical constraints, limited transportation, and of course the lack of financial institution infrastructure, both banks and non-banks, both formal and informal, which makes people in the archipelago lose access.

Abstrak: Penelitian ini bertujuan untuk mengkaji program inklusi keuangan di kepulauan Indonesia dan dampaknya terhadap pengentasan kemiskinan. Penelitian ini menggunakan metode penelitian kualitatif deskriptif dengan mengkaji kehidupan nyata masyarakat yang tinggal di daerah kepulauan di Indonesia dengan menggunakan sumber-sumber sekunder yang berkaitan dengan masalah tunggal penelitian ini, yaitu inklusi keuangan di daerah kepulauan sebagai upaya membebaskan masyarakat dari jerat kemiskinan sebagai tujuan SDGs. Indikator akses menjadi fokus utama dalam penelitian ini. Studi ini menemukan bahwa program inklusi keuangan yang menyasar masyarakat yang tinggal di daerah kepulauan di Indonesia belum optimal. Penyebabnya adalah kurangnya sosialisasi inklusi keuangan, target literasi dan inklusi yang masih terbatas pada masyarakat perkotaan, kendala geografis, transportasi yang terbatas, dan tentu saja minimnya infrastruktur lembaga keuangan, baik bank maupun non-bank, baik formal maupun informal, yang membuat masyarakat di daerah kepulauan tidak memiliki akses.

Keywords: Financial Inclusion, Islands Regional Communities, Freedom from Poverty

A. INTRODUCTION

This paper will examine the financial inclusion of the archipelago and the achievement of one of the Millennium Development Goals (MDGs): poverty-free societies. As an archipelagic country, Indonesia faces several obstacles in achieving its goals, including those related to financial products and services.¹ This problem is not only happening in Indonesia; Other countries are also facing similar difficulties. Many of the world's 1.2 billion people today do not have an account.² According to the G20 group conference in Seoul, South Korea, about 2.7 billion people are not part of the formal financial system,³ and therefore difficulty accessing the necessary financial services or products. An estimated 100 million people in Indonesia are unbanked. Many people live in poverty as a result of this situation.

As of September 2022, 26.36 million people, or 9.57% of the population, were living in poverty in Indonesia, up 0.03 percentage points from March 2022. While the number of rural areas expanded, the percentage of urban poverty rose to 7.53% in September 2022.⁴ will rise to 12.36%. There are 11.98 million urban poor people. In September 2022, there were 14.38 million more rural poor people, up 0.4 million for the same period. In contrast, IDR 535,547.00 per person is the poverty rate in September 2022. Indonesia has 4,982 poor villages in 2022. Of the 74,955 villages, this number corresponds to 6.65% of all villages with the status of the Developed Village Index.

As a result of this poverty, wealth is concentrated in the hands of a few, leading to problems such as increasing regional and local inequality. To eradicate poverty, the Indonesian government is committed to accelerating financial inclusion. The President of the Republic of Indonesia

¹ A. C. Rosevina, A. Ampun, P. Suwarno, P. Widodo, H. J. Risma, and A. O. Purba, "Realizing Indonesia as a Global Maritime Fulcrum," *Int. J. Humanit. Educ. Soc. Sci.*, vol. 2, no. 6, pp. 1893–1897, 2023.

² A. Demirgüç-Kunt, L. Klapper, D. Singer, S. Ansar, and J. Hess, "The Global Findex Database 2017: Measuring Financial Inclusion and Opportunities to Expand Access to and Use of Financial Services," *World Bank Econ. Rev.*, vol. 34, no. 2018, pp. S2–S8, 2020, doi: 10.1093/wber/lhz013.

³ F. Benyoub and B. Sihem, "Financial inclusion in Algeria: between the necessity of application and the challenges of realization during (4002-4042)," *Financ. Bus. Econ. Rev.*, vol. 7, no. 1, pp. 271–282, 2023.

⁴ Badan Pusat Statistik, "Persentase Penduduk Miskin September 2022 naik menjadi 9,57 persen," Jakarta, 2023.

is directly responsible for the National Council for Financial Inclusion (DNKI), as stated in Presidential Regulation Number 114 of 2020, which was issued in conjunction with the National Strategy for Financial Inclusion (SNKI). In addition, the national financial inclusion strategy is running well. The number of financial institutions—banks and non-banks—and their activities are increasing. Despite this, Indonesia still ranks poorly in terms of financial inclusion.

The financial inclusion index of the Indonesian people in 2022 was 85.10%, an increase from 76.19% in the previous SNLIK period in 2019, according to the 2022 National Financial Literacy and Inclusion Survey Results report. According to, this indicates that only 85 out of every 100 Indonesians have access to financial services. However, when compared to several neighbouring countries, such as Singapore (98%), Malaysia 85%, and Thailand (82%), this figure is still relatively low.⁵ This shows that although the goal of financial inclusion is to improve individual welfare, community empowerment, and consumer protection, the entire Indonesian population does not yet have complete access to financial products and services. People in the Indonesian archipelago also want inclusive economic progress. Eight provinces in Indonesia—North Sulawesi, Southeast Sulawesi, Bangka Belitung, Maluku, Riau Islands, North Maluku, East Nusa Tenggara, and West Nusa Tenggara—are distinguished based on their archipelago characteristics. Inequality between regions and provinces is evident in the distribution of the following survey results from the Financial Services Authority's National Survey on Financial Inclusion, conducted in 34 Indonesian provinces between 2019 and 2022.

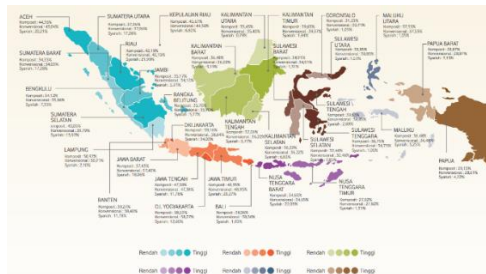


Figure 1. Provincial Financial Inclusion Index in Indonesia in 2019

Source: Otoritas Jasa Keuangan¹⁴

⁵ V. Trujillo, D. Sitorus, and A. M. Aviles, “Advancing Digital Financial Inclusion in ASEAN,” *Adv. Digit. Financ. Incl. ASEAN*, 2018, doi: 10.1596/30183.

¹⁴ Otoritas Jasa Keuangan, “Strategi Nasional Literasi Keuangan Indonesia (SNLKI) 2021 - 2025,” *Ojk.Go.Id*, pp. 1–130, 2021.

There is still a gap, according to the results of the provincial or regional-based financial inclusion index survey in Indonesia, as shown above. Of course, the gap in question can be seen from poverty, per capita income, inclusive growth, consumer protection, individual welfare, and community empowerment under the goals of financial inclusion. The reason is that financial services are still not fully accessible to the Indonesian people as a whole. Still entangled by loan sharks even though it is informal. The biggest obstacle for the government in achieving financial inclusion goals is this. Archipelagos in Indonesia are also affected by this disease. The following is the financial inclusion index of provinces in Indonesia that are based on the archipelago.

| No | The Islands | Financial Inclusion Index 2019 (%) | Financial Inclusion Index 2022 (%) |
|----|--------------------|------------------------------------|------------------------------------|
| 1 | Southeast Sulawesi | 75,07 | 85 |
| 2 | North Sulawesi | 83,99 | 86,23 |
| 3 | Riau Islands | 92,13 | 83 |
| 4 | Bangka Belitung | 76,19 | <u>85,10</u> |
| 5 | Maluku | 75,62 | 78,70 |
| 6 | North Maluku | 75,85 | 81,04 |
| 7 | West Nusa Tenggara | 62,73 | 82,34 |
| 8 | East Nusa Tenggara | 60,63 | 85,97 |

Source: Otoritas Jasa Keuangan¹⁵

Based on table data, Southeast Sulawesi's financial inclusion index is currently 75.07% and is projected to increase to 85% in 2022. Meanwhile, the North Sulawesi index increased to 86.23%, then fell again to 83.99%. The financial inclusion rate of Riau Islands Province decreased from 92.13% in 2019 to 83%. In addition, Bangka Belitung Province increased from 64.57% in 2019 to 85.10%. The financial inclusion index of Maluku Province then increased from 75.62% in 2019 to 78.70% in 2022. In 2019, the North Maluku index was around 75.85%, in 2022 it increased to 81.04%. In 2022, the inclusion index in West Nusa Tenggara Province, another archipelago, increased from 62.73% to 82.34 percent. Meanwhile, East Nusa Tenggara Province experienced a significant increase, from 60.83% in 2019 to 85.97%.

¹⁵ Otoritas Jasa Keuangan, “Hasil Survey Nasional Literasi dan Inklusi Keuangan Tahun 2022; Indeks Literasi dan Inklusi Masyarakat Meningkat,” Jakarta, 2022.

Based on the data presented, there are still four provinces whose financial inclusion index is still below the national average, which is 85%. Meanwhile, the other four provinces have reached the national average. North Sulawesi has an index higher than the national average. Geographical limitations, low levels of education, poor transportation, and lack of awareness of future financial needs have made the other seven provinces have not achieved it.

However, the potential of the archipelago is not inferior to the area dominated by the mainland. Gas, mining, seafood, and many more. However, due to conflicting policies, access to financial goods and services remains limited. In the archipelago, this exacerbates the problem of poverty and income inequality.¹⁶ The injustice and inequality of economic growth in rural areas scattered throughout the island will undoubtedly be affected by poverty and limited financial products and services available to the population. Financial inclusion programs and impacts remain uneven, and Indonesia's archipelagic and non-archipelagic regions continue to differ greatly in terms of economic growth and development.

Development gaps have an impact on rural conditions, with some villages classified as developed/independent villages, developing villages, and disadvantaged villages. The author has collected information from various sources regarding the number of poor villages in the Eight Archipelago Provinces in Indonesia.

| No | The Islands | Number of Disadvantaged Villages | Number of Developing Villages | Number of Villages Advanced/Independent |
|----|--------------------|----------------------------------|-------------------------------|---|
| 1 | Southeast Sulawesi | 394 | 1556 | 19 |
| 2 | North Sulawesi | 321 | 976 | 42 |
| 3 | Riau Islands | 40 | 232 | 3 |
| 4 | Bangka Belitung | 4 | 274 | 31 |
| 5 | Maluku | 725 | 376 | 138 |
| 6 | North Maluku | 404 | 643 | 19 |
| 7 | NTB | 9 | 899 | 87 |
| 8 | NTT | 1.094 | 1945 | 9 |
| | SUM | 2.991 | 6.901 | 348 |

Source: Search results from various, 2023

¹⁶ B. B. Ummah, N. Nuryartono, and L. Anggraeni, "Analisis Inklusi Keuangan Dan Pemerataan Pendapatan Di Indonesia," *J. Ekon. Dan Kebijak. Pembang.*, vol. 4, no. 1, pp. 1–27, 2018, doi: 10.29244/jekp.4.1.2015.1-27.

The government targets to reduce the village poverty rate to 0 (zero) percent by 2030. There are several goals to be achieved in the village. Among them, 100% of the village people have health insurance cards, people with disabilities, and the poor and women heads of families receive assistance to meet their basic needs, childbirth and immunization, access to health services, access to drinking water, contraceptive use, and hygiene.

Regarding the condition of the village, other challenges faced in the archipelago area include geography, education, low general allocation funds,¹⁷ economy, level of welfare, and business opportunities,¹⁸ resource utilization, human resource quality, governance, ability to manage the environment, population distribution, availability of service infrastructure, and connectivity.

By 2030, the government wants to reduce the local poverty rate to zero percent. Villages have several goals that must be met. One hundred percent of rural people have health insurance cards, and poor heads of families, people with disabilities, and women receive assistance for basic needs, births, vaccinations, access to health services, drinking water, contraception, and sanitation.¹⁹ Also by that year, the government want to increase education, low general allocation funds, economy, level of well-being, business opportunities, resource utilization, quality of human resources, governance, environmental management capabilities, population distribution, availability of service infrastructure, and connectivity are some of the other problems faced by the archipelago.²⁰

All of these problems are certainly significant obstacles to achieving the SDGs that have been awaited so far. To realize villages with equitable economic growth, the government must play a greater role in working with other stakeholders to achieve the SDGs targets, which include social,

¹⁷ D. Puspitawati, "Pembangunan Wilayah Kepulauan Berlandaskan Poros Maritim Dalam Perspektif Negara Kepulauan: Tantangan Dan Peluang Perimbangan Keuangan Daerah," *Bina Huk. Lingkungan*, vol. 4, no. 2, p. 251, 2020, doi: 10.24970/bhl.v4i2.107.

¹⁸ K. Agius and M. Briguglio, "Mitigating seasonality patterns in an archipelago: the role of ecotourism," *Marit. Stud.*, vol. 20, no. 4, pp. 409–421, 2021

¹⁹ A. M. Ginting, "Kendala Pembangunan Provinsi Kepulauan: Studi Kasus Provinsi Kepulauan Riau," *Politica*, vol. 4, no. 1, pp. 49–75, 2013.

²⁰ S. Ahmad, "Perluasan dan Pemerataan Akses Kependidikan Daerah 3T," *J. Chem. Inf. Model.*, vol. 53, no. 9, pp. 1689–1699, 2013, doi: 10.12928/psikopedagogia.v1i2.4603.154.

environmental, and economic aspects as well as aspects of partnership and collaboration as well as governance.²¹

The villages with equitable economic growth as a manifestation of the SDGs are crucial to the answer to realize villages with equitable economic growth.²² Therefore, this study aims to determine the implementation of equitable economic village development and the optimization of financial inclusion initiatives, especially for rural communities living in the Indonesian archipelago

B. THEORETICAL BASIS

Financial inclusion refers to the provision of access to financial institutions, products, and services tailored to meet the diverse needs and capabilities of the community. This concept plays a pivotal role in fostering economic welfare, reducing poverty, and ensuring inclusive growth. By enabling individuals and businesses to participate in the formal financial system, financial inclusion contributes to economic empowerment and helps bridge social and economic disparities.

Access to financial services encompasses various elements, including credit, savings, payments, and insurance. These services are essential for day-to-day living and can help individuals and businesses build financial resilience, manage risks, and invest in growth opportunities. When financial products are accessible, affordable, and tailored to users' needs, they empower underserved populations to participate in the economy more effectively. This is especially important in countries like Indonesia, where large segments of the population face barriers to using formal financial services.

According to the World Bank's Global Findex Database, most Indonesian adults encounter significant challenges in accessing financial products and services. Barriers such as lack of financial literacy, limited physical access to banks, and high transaction costs hinder the ability of individuals to benefit from financial services. For example, rural

²¹ T. Nurgiyanti, D. R. Rahmayanti, H. D. Wiratma, and T. S. Nurhantoro, "Implementasi Resep Pembangunan Internasional Sustainable Development Goals (SDGs) Dalam Pertumbuhan Ekonomi Desa Merata di Desa Wisata Bugisan," in *Prosiding Seminar Nasional "Sinergi Perguruan Tinggi dan Mitra dalam Mewujudkan Masyarakat Mandiri, Produktif dan Berdaya Saing"*, 2022, vol. 4, no. 1, pp. 237–243.

²² L.J. Touwen, *Extremes in the Archipelago: Trade and Economic Development in the Outer Islands of Indonesia, 1900-1942*. RA Leiden: BRILL, 2021, 2001.

communities often lack nearby financial institutions, and the high costs of maintaining bank accounts can discourage low-income individuals from participating in formal banking systems. These challenges highlight the critical need for targeted efforts to improve financial inclusion.²³

Recognizing this need, the Indonesian government has made financial inclusion a national priority. President Joko Widodo has set an ambitious goal of achieving a financial inclusion index of 90% by 2024. This target underscores the government's commitment to creating an inclusive financial system that serves all citizens, regardless of their socio-economic background. The government's strategy includes promoting digital financial services, expanding access to rural areas, and strengthening financial literacy programs. Digital innovation, such as mobile banking and e-wallets, has emerged as a powerful tool for reaching underserved populations, enabling them to access financial services without the need for physical banking infrastructure.²⁴

Finance Minister Sri Mulyani has highlighted the link between financial exclusion and persistent poverty, emphasizing how limited access to financial services contributes to wealth concentration and exacerbates regional inequalities. When financial resources are concentrated in the hands of a few, economic opportunities become unevenly distributed, creating a cycle of poverty and social disparity. Addressing these inequities requires policies that facilitate equitable access to financial services, empowering marginalized communities to improve their livelihoods.

Accelerating financial inclusion is not only about poverty reduction but also about promoting broader economic growth. An inclusive financial system enhances the ability of small and medium enterprises (SMEs) to access credit, enabling them to expand and create jobs. It also allows households to save for the future, invest in education and healthcare, and better withstand economic shocks. In this context, financial inclusion serves as a cornerstone for sustainable development.²⁵

²³ Development Research Group, Finance and Private Sector Development Unit. *Global Financial Inclusion (Global Findex) Database 2021*, December 16, 2022. <https://microdata.worldbank.org/index.php>.

²⁴ "Financial Inclusion Data,"

<https://datatopics.worldbank.org/financialinclusion/country/indonesia>.

²⁵ I Made Sanjaya and Nursechafia Nursechafia, "FINANCIAL INCLUSION AND INCLUSIVE GROWTH: A CROSS-PROVINCE ANALYSIS IN INDONESIA,"

In conclusion, financial inclusion is a critical enabler of economic empowerment, poverty reduction, and inclusive growth. Indonesia's efforts to enhance financial inclusion demonstrate a commitment to addressing systemic barriers and creating opportunities for all citizens. By leveraging innovative technologies and implementing inclusive policies, the country aims to build a more equitable and resilient economy, ensuring that no one is left behind.

C. RESEARCH METHOD

This study examines and investigates financial inclusion in eight (eight) provinces throughout the Indonesian archipelago using secondary data and qualitative literature research. To optimize financial inclusion and achieve equitable village economic growth following the SDG program, we use multiple sources such as indicators of access and quality, the Financial Services Authority. We also use data from the results of the financial inclusion survey of the financial services authority of the Republic of Indonesia in 2019 and 2022, the financial inclusion program in eight regions of the Indonesian Archipelago, village data growing evenly in the sustainable development goals (SDGs) program, and the source of reputable national and international journal articles, and an internationally accredited journal related to financial inclusion, SDGs and archipelagos.

The data analysis technique used in this study is descriptive qualitative analysis. This research is included in the category of non-multiple case studies. This means that a topic or issue is chosen for him to describe the topic or issue in question. To strengthen this explanation, Creswell's critical theory is to interpret or explain the optimization of financial inclusion programs in the archipelago of Indonesia. This indicates that one subject or problem has been selected so that it can be explained. To strengthen this argument, an explanation was made about optimizing financial inclusion initiatives in the Indonesian archipelago using critical theory.²⁹

Deleted Journal 18, no. 3 (March 31, 2016): 281–306,
<https://doi.org/10.21098/bemp.v18i3.551>.

²⁹ J. W. Creswell, "Penelitian Kualitatif & Desain Riset," *Mycol. Res.*, vol. 94, no. 4, p. 522, 1990.

D. DISCUSSION

When people have access to a variety of financial services, this is known as financial inclusion. Research report *Otoritas Jasa Keuangan*,³² mentioned that the national financial inclusion index in 2019 was 76.19%. This shows that around 76 out of 100 Indonesians have access to financial services. By region, DKI Jakarta had the highest financial inclusion index in 2019 with traditional banking services at 92.67%. West Papua has the lowest traditional financial inclusion rate, only 59.84%. In terms of financial products and services, Indonesian people in various provinces have diverse tastes. However, the majority of people choose to use banking rather than other official financial services. Compared to Malaysia, Singapore, and Thailand, even with the increase in 2022, this is still a long way off.³³

Savings services, money transfers, BPJS health, deposits, and People's Business Loans (KUR) are the most in-demand formal financial services products, according to research results. Fintech, crowdfunding, micro waqf bank financing, *wadia* current accounts, ijarah, leasing, and ultra microfinance are the financial services that are least known by the general public. The financial inclusion rate of 76.19% and the financial literacy index of 38.03% were significantly different. This shows that only about 38 out of 100 people are literate, but 76 out of 100 people are literate. The following information is related to financial literacy in the Indonesian archipelago.

| No | The Islands | Financial Literacy Index 2019 (%) | Financial Literacy Index 2022 (%) |
|----|--------------------|-----------------------------------|-----------------------------------|
| 1 | Southeast Sulawesi | 36,75 | 85 |
| 2 | North Sulawesi | 38,85 | 86,23 |
| 3 | Riau Islands | 45,67 | 83 |
| 4 | Bangka Belitung | 35,70 | <u>85,10</u> |
| 5 | Maluku | 36,48 | 78,70 |
| 6 | North Maluku | 37,53 | 81,04 |
| 7 | West Nusa Tenggara | 34,65 | 82,34 |
| 8 | East Nusa Tenggara | 27,82 | 85,97 |

Source: (Financial Services Authority, 2021), data processed, 2023.

³² OJK, “Sp - Indeks Literasi Dan Inklusi Keuangan Masyarakat Meningkatkan,” pp. 1–2, 2022.

³³ V. Trujillo, D. Sitorus, and A. M. Aviles, “Advancing Digital Financial Inclusion in ASEAN,” *Adv. Digit. Financ. Incl. ASEAN*, 2018

OJK also said that it has set a program to increase the financial literacy of the Indonesian people by 2025 in response to the low level of financial literacy. The still low financial inclusion index is influenced by inadequate financial literacy. This condition is also experienced by a number of archipelagos in Indonesia, such as Bangka Belitung, Riau Islands, North Sulawesi, Southeast Sulawesi, East Nusa Tenggara, West Nusa Tenggara, Maluku, and North Maluku.

Together with eight provinces, the Financial Services Authority formed the Regional Financial Access Acceleration Team (TPAKD) to overcome the problem of public access to formal and informal financial institutions. The goal is to increase financial awareness and inclusion in the country. Based on the OJK's 2022 Financial Literacy and Inclusion Research Report, TPAKD plays an active role in encouraging financial service institutions to improve public financial inclusion and literacy. Following the provisions, every economic actor is required to include a literacy and inclusion action plan in his business plan. Business actors are also asked to submit a report on the strategy for the implementation of financial literacy and inclusion initiatives.

With the technology available, the action plan and report can be delivered digitally.³⁴ As of June 2023, there have been 493 TPAKD. It consists of 35 provincial TPAKD and 458 district/city TPAKD. OJK assesses that the existence of TPAKD can encourage the implementation of inclusivity and financial literacy. In addition, there are still differences in financial inclusion and literacy between urban and rural groups, although the situation in the two regions is different. As a forum for cooperation between institutions and stakeholders, TPAKD strives to increase financial access in the region, encourage regional economic growth, and realize a more prosperous society. Based on the results of the research, the situation of access indicators for each archipelago province is as follows.

1. Southeast Sulawesi

Local governments and local OJK are concerned about access to formal and informal financial institutions in the Southeast Sulawesi Islands region. Various efforts continue to be made to make it happen, including

³⁴ Adi Adhiat (Katadata Media Network), "Ini Provinsi dengan Inklusi Keuangan Terbaik Nasional," Jakarta, 2022.

the formation of the Regional Financial Access Acceleration Team (TPAKD). The purpose of the formation of this team is to organize the community and ensure the widest possible access, encourage the contribution of the financial services sector to regional economic development, and produce breakthroughs in providing more beneficial financial access for the local community.

In Southeast Sulawesi, there are only three TPAKD, namely South Konawe, Kendari City, and Bombana, from 16 cities and districts. The low percentage of financial literacy, which is 36.75 percent, shows that local governments play a less important role in expanding public access to financial services. The national average figure is still higher than this figure. As a result, the province's financial inclusion rate is still low.

Along with the involvement of local governments, OJK also continues to encourage the digitization of financial products and services, socialization of financial inclusion, people's business credit (KUR), student inclusion through the one student one account (*Kejar*) program, business matching for MSMEs, community financial education, and financial literacy and inclusion training for 5,680 individuals. In addition to these initiatives, Kendari City has three other flagship programs. One of them is "*Iyamao Persayai Sharpener*" (AMAN) which in the "*Tolaki*", regional language means "anti-loan program" and helps micro and small businesses that need funding, which is expected to develop their businesses. These various policies will be able to boost the economy in the region and ease public access to the financial services sector along with good financial literacy.

2. North Sulawesi

On the other hand, North Sulawesi Province has 16 cities and districts, compared to Southeast Sulawesi. Currently, all of them have 16 TPAKD which by maximizing the distribution of KUR for MSMEs in North Sulawesi Province, it is hoped that it can boost the economy in remote areas and avoid residents from loan sharks. Of the total KUR worth IDR 7 trillion for North Sulawesi, only IDR 2.7 trillion has been absorbed. Around 66,556 MSMEs in North Sulawesi Province are the focus of such a large budget. Many potentials have not been utilized to the fullest. If people have a lot of money, it could be capital leverage for the economy. The number of KUR

programs in 2022 is still relatively low when compared to other provinces that distribute credit.

The program run by Bank Sulut Gorontalo (BSG) with the Bohusami Credit program has been running in North Sulawesi. After approximately one year, as many as 1,277 debtors in Bitung City, Bolaang Mongondow, South Minahasa, and Ahasa Regency received the distribution of people's business loans (KUR) worth Rp44.14 billion. TPAKD North Sulawesi hopes that the distribution of credit to MSMEs in agriculture, fisheries, and other leading sectors can be accelerated. In addition, financial services are also sought not only centered in urban areas. This sector contributed 20.61% of North Sulawesi's total gross domestic product (GDP) of IDR 38.34 trillion in the second quarter of 2022. Credit packages in the priority agricultural sector are also available. The One Account One Student (Kejar) scheme was created to accelerate regional financial access. The North Sulawesi Regional Government and the Ministry of Finance started the MSME initiative in 2023 to encourage the expansion of digitalization towards a Single Indonesia.

3. Riau Islands

The TPAKD Work Program specifically encourages economic growth in the Riau Islands through, (1) encouraging the growth of financial services through student savings and *Laku Pandai* agents (non-office financial services); (2) encouraging the growth of MSMEs through business licensing, capacity building, and financing support for MSMEs as part of the implementation of democracy; (3) encouraging the acceleration of access to financing through tourism and fisheries financing; (4) expansion of financial access for private/regional companies through initial public offerings of shares on the Indonesia Stock Exchange; and (5) the development of microfinance institutions as a support for the people's economy.

To support the Islamic economy and finance in the region, the Riau Islands Provincial Government has collaborated with several stakeholders. Among them: the implementation of Sharia Economics and Finance (KOPOTREN) by collaborating with Islamic boarding schools which currently have seven KOPOTREN; improving the quality of MSME products through the provision of export-ready products and obtaining halal certification from the Regional Office of the Ministry of Religion of the

Republic of Indonesia as many as 1,895 units in 2023; as well as cooperation with Bank Riau Kepri Syariah in distributing interest-free financing to MSMEs in the period November 2021 to March 2023 with a total financing of IDR 15.13 billion which has been received by 803 beneficiary MSMEs.

The Riau Islands Provincial Sharia Economic and Financial Regional Commission (KDEKS Kepri) was formed by the Riau Islands Provincial Government together with TPAKD. In August 2022, Bank Riau Kepri Syariah reported an improved performance in the post-conversion Islamic financial services industry. Cooperation in the development of high schools and the economic development of Islamic boarding schools through the *Habitren* network is one of the things that is going well. Cooperation for consumers. Sharia economics and finance is a prospective economic venture that can be reached by everyone, not only Muslims, considering that the people of the Riau Islands are inclusive and global.

Following the 2021-2025 TPAKD timeline, with the help of a year-long thematic program. I discuss Islamic financial products and services that are increasingly in demand in 2023, with an emphasis on the ecological development of inclusive societies or tourism. In addition, BUMDes' efforts are very significant in encouraging economic and ecological development and growth in the area through various organizations. It is hoped that the economy of the people of Sergai Village will improve in 2023 as a result of the BUMDes crisis in the tourist district. Through the TPAKD Work Program, the entire Sergai community can work together and collaborate with Regional Apparatus Organizations (OPD) and the financial services industry to improve literacy and understanding of Islamic finance, which will benefit all of them in the long run.

4. Bangka Belitung Islands

Two provincial-specific TPAKDs have been formed by the Bangka Belitung Islands Province. Pangkalpinang City, Belitung Regency, Bangka Regency, Central Bangka Regency, South Bangka Regency, and West Bangka Regency are five districts/cities that have not yet formed TPAKD. One of the goals of TPAKD is to encourage the use of economic recovery funds, especially through the distribution of KUR throughout the province. Babel is cooperating. As of May 2022, the number of debtors reached 14,190 people with a total KUR of IDR 916.1 billion. To improve regional

financial access, TPAKD Babel plays an important role in establishing strategic partnerships with advertisers, regional apparatus organizations, financial service providers, and other stakeholders.

The TPAKD work program will be able to support the local government's work program and increase or expand the regional economic potential. In the Bangka Belitung Islands Province, the presence of TPAKD can boost the regional economy and improve socio-economic conditions. To jointly show greater concern and dedication in expanding financial access in Babel so that the community can take advantage of the services that have been provided. The economy of the Bangka Belitung Islands Province and districts/cities is currently supported and encouraged by the presence of TPAKD. This is also a form of cooperation and dedication in maximizing financial access in the regions, especially districts/cities, which we believe can contribute to the economic development of the community. However, public awareness and literacy on the use of company funds is still lacking. Although the fund will undoubtedly have a positive impact on improving the regional economy if used appropriately to carry out business activities, the people of Central Bangka currently still have a poor perception of how to utilize business capital.

As the coordinator of TPAKD, Sugianto is also committed to increasing banking access to the public, both online and offline, so that the public realizes that the use of capital to improve living standards through business is one of the things needed in the current development era. The event was closed with a visit to the MSME exhibition booth supported by Bank Sumsel Babel and BRI as well as the distribution of People's Business Credit (KUR) assistance to its creditors.

In accordance with the growing potential of each region, TPAKD Babel's work program is focused on the development of the agriculture, marine, food security, SMEs/SMEs, tourism, and creative economy sectors. The implementation of credit/loan financing models, financing for the agribusiness sector, optimization of KUR and UMI financing procurement, agricultural/cattle/fisherman insurance, business matching, issuance of regional bonds (to regions, and digitization of student accounts) are some of the financial products or services that can be used to support TPAKD's work program. Bangka Belitung Province cannot improve its own financial access. Coordination between local governments, OJK Bank Indonesia, and

the financial services sector is needed to improve public welfare through financial inclusion.

Therefore, to maintain momentum, strengthen the dedication and interests of all parties involved, provide the widest possible access to funding for all aspects of society, encourage greater development potential in various fields, and build an inclusive financial system, active involvement is urgently needed.

5. Maluku

Of the eleven districts/cities in the eastern region of Maluku, namely Central Maluku Regency, Ambon City, South Buru Regency, Southeast Maluku Regency, and Buru Regency, only six (six) districts/cities have TPKAD. During the third quarter of 2022, OJK has received 175 complaints in the form of letters and "walk-in customers" as well as 172 requests for financial information service systems. A total of 54.84 per cent of complaints went to the banking sector and 45.16 percent to the fintech P2P lending sector, insurance, and financing. In Maluku, six regions do not have TPAKD. As a result, the opportunities for the implementation and distribution of KUR and insurance in various sectors are still small and uneven.

Maluku has established TPAKD, and OJK facilitates the formation of financial clusters in accordance with the characteristics of each individual and superior sector, so that the financial budget is more optimal and develops so as to increase people's sense of security. The absorption rate of KUR in Maluku, which is still relatively low, can increase until the end of 2022. As of October 2022, the realization of KUR in the Maluku agricultural sector has reached 16.4% or around IDR 148.4 million from the target of IDR 900 million.

6. North Maluku

In North Maluku Province, there are only four TPAKD. Various initiatives have been carried out to increase access because the province's financial literacy index is still below the national average. Among them are the Financial Literacy Village program in Morotai Island Regency, Instructor (ToT) Training for elementary and Madrasah Ibtidaiyah teachers in Ternate City, and Financial Education for the 3T community in Morotai Island Regency.

However, to strengthen the Islamic banking industry, North Maluku recently established the North Maluku Province KDEKS to increase knowledge about Islamic finance. By improving literacy, accessibility, and service quality, as well as expanding the output and capacity of Islamic banking human resources, KDEKS and stakeholders are expected to contribute to the growth of the Islamic banking industry. Sharia social funds, such as the creation of zakat and waqf funds, can also be used to encourage Islamic financial development programs, which aim to improve community welfare through the Islamic financial sector, the use of Sharia Tapera, and the issuance of regional sukuk.

7. West Nusa Tenggara

Furthermore, the NTB Community Financial Access Index increased by 19.61%, from 62.73% to 82.34%. In contrast to NTB, the general public is increasingly aware of the accessibility of formal financial goods and services. The cooperation between OJK and local governments to encourage regional economic recovery and increase access to the financial community through various programs has increased literacy and inclusion of the financial community in NTB. As has often been done, TPAKD is here to ensure that the public has access to financial institutions so that corporate capital can drive the economy. Sumbawa, West Sumbawa, Mataram, Dompu, Bima, Lobar, and Loteng Regencies are seven (seven) TPAKDs currently operating in this area. In 2022, some initiatives will be carried out, one of which is the eradication of loan sharks in mosques (Golden Rose).

To encourage data optimization and access to business capital for small and medium enterprises (SMEs), OJK together with the NTB Industry Office formed the Industrial Management Information System (Simanis) as part of the NTB industrialization program. For this reason, OJK NTB synergizes with the NTB Education and Culture Office to make the One Student One Account (Kejar) program a success. Through Interest-Free Loans (Developing), OJK facilitates the growth of pawnshop eradication programs in East Lombok. In line with the priority targets for 2022 which include MSME actors, housewives, underprivileged communities, border and remote areas (3T), and people with disabilities, OJK NTB has also held 39 financial education activities in 2022 through limited face-to-face meetings and webinars with a total of 9,248 participants.

8. East Nusa Tenggara

Based on the results of the 2022 SNLIK, East Nusa Tenggara Province (NTT) has a Financial Literacy Index of 51.95% and 85.97%, respectively. When compared to the results of SNLIK 2019 which showed a financial literacy index of 27.82% and financial completeness of 60.63%, this achievement has experienced a significant increase. In terms of financial rankings, East Nusa Tenggara was ranked 33rd out of 34 provinces in 2019 and has the 34th highest financial literacy score in Indonesia. As a result, the People's Business Credit (KUR), which offers an interest rate support system and bad credit risk guarantee, helps local and federal governments accelerate financial inclusion. MSMEs that obtain KUR financing from banking institutions are only required to pay interest of 6%, the rest is borne by the government. Through banking institutions that only provide 6% interest, this program is very beneficial for the community and micro-business groups who want to obtain financing. The Micro Business Financing (UMi) initiative is also available to mothers, community organizations, and socially vulnerable groups who are unable to provide the necessary collateral (non-bankable) to obtain financing quickly and easily. It is hoped that more and more underprivileged groups will be able to easily access and benefit from financial services tailored to their needs and capacities thanks to this program.

According to previous research, inclusive financing is one of the tactics to help the rural economy develop fairly. Some of the archipelago locations appear to be in poor condition when compared to other regions in Indonesia which are determined by the size of the territory, the development of the financial sector, the growth of the real sector, and the phenomenon of poverty. However, this archipelago region offers significant competitive advantages that can be improved, including the tourism industry, energy resources, marine resources, and agriculture.³⁶

Based on the results of the study, financial inclusion initiatives aimed at the population of the Indonesian archipelago are still lacking. The root of the problem is the lack of infrastructure for bank and non-bank financial institutions which causes people in the archipelago to be unable to access it.

³⁶ C. Barlow and J. Hardjono, *Indonesia Assessment 1995: Development in Eastern Indonesia*. Singapore: Institute of Southeast Asian Studies, 1996.

R. A. Riggs *et al.*, "Governance Challenges in an Eastern Indonesian Forest Landscape," *Sustainability*, vol. 10, no. 169, pp. 1–18, 2018, doi: 10.3390/su10010169.

This will of course affect its quality and utilization. Therefore, to achieve the goal of financial inclusion for economic growth and justice, local governments and related stakeholders must focus more on expanding public access to formal and informal financial institutions. Thus, financial access is not limited to the wealthy,³⁷ but also to the poor.³⁸

Furthermore, financial accessibility helps reduce poverty, claims Ernesto et al. According to Demirgüç-Kunt & Klapper, unequal access to finance can also result in inefficiencies that hinder economic progress and exacerbate poverty.³⁹ By building an infrastructure of bank or non-bank financial institutions that are easily accessible to residents in the archipelago as a financial inclusion destination, this research helps the government continue its financial inclusion program. Economics is applied in the implementation of this research. The lack of access, utilization, and quality of financial inclusion that can be used to improve the lives of the communities targeted by the study—the people of the archipelago—is what makes this research new.

The State of Indonesia is committed to encouraging financial inclusion. In addition to the development of financial products and services, the Financial Services Authority (OJK), the Financial Services Industry, and related institutions are trying to improve financial inclusion by addressing four other aspects of financial inclusion, namely: increasing access to finance, providing financial products and services, encouraging the use of financial products and services, and improving the quality of the use of financial products and services as well as financial products and services themselves.

Considering that the level of financial inclusion in urban and rural areas is still at 83.60 percent and 68.49 percent, respectively, the establishment of TPAKD is significant (Financial Services Authority, 2020). Local governments in the archipelago can use TPAKD to organize various work program initiatives, including micro waqf banks, student savings (Simpel/Simpel IB), single program accounts (KEJAR), and

³⁷ F. Donou-adonsou and K. Sylwester, “Financial development and poverty reduction in developing countries: New evidence from banks and microfinance institutions,” *J. Adv. Res.*, pp. 1–9, 2016, doi: 10.1016/j.rdf.2016.06.002.

³⁸ A. Erlando, F. D. Riyanto, and S. Masakazu, “Financial inclusion, economic growth, and poverty alleviation: evidence from eastern Indonesia,” *Heliyon*, vol. 6, no. 10, p. e05235, 2020, doi: 10.1016/j.heliyon.2020.e05235.

³⁹ A. Demirgüç-Kunt and L. Klapper, *Financial Inclusion in Africa: An Overview*. 2012.

credit/money financing (K/PMR). Local governments then transform these initiatives into better programs, such as the generic K/PMR model, to meet the needs of local communities that need fast, affordable, and easy access to finance. In addition to relaxing policies laws and regulations related to financing for micro and small business actors in the regions, in addition, in the field of agriculture or livestock, TPAKD functions as an accelerator to maximize the use of superior industries. Various trainings and coaching have been carried out, such as TPAKD for women, men, and business workers. One of OJK's initiatives to increase financial literacy in rural communities is to increase financial awareness. This will greatly help OJK in achieving financial literacy goals by providing easy, affordable, and transparent financial services for the public.

Due to their lack of access to basic banking services such as savings, it is anticipated that the number of unbanked or underbanked individuals will decline as a result of financial inclusion. As a human right, access to finance is very important to improve the quality of life of the community. Having a bank account, which can further be expanded to include additional financial products and services such as insurance, finance, retirement plans, and investments, is one way to meet the demand for financial products and services at the most basic level. Furthermore, there are still many benefits that can be obtained by building financial inclusion.

E. CONCLUSION

The financial inclusion program aimed at the Indonesian archipelago population is currently still not optimal. People in the archipelago are losing access to bank and non-bank financial institutions due to a lack of infrastructure, which affects their use and quality of life. This is due to a lack of socialization about financial inclusion. The goal of financial inclusion is to increase public access to financial services by removing all barriers, both financial and non-financial. Providing access to financial sector services and services at reasonable prices to the poor will directly engage the poor and spur economic growth, which will ultimately help alleviate poverty. To realize an unreasonable financial inclusion program, Bank Indonesia must coordinate with relevant ministries and institutions in the context of program preparation, prioritization, implementation, and monitoring and assessment of its implementation, to create effective coordination.

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