Analysis of the Role of Financial Technology inSupporting the Financial Inclusion Program

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Abstract
The availability of banking services and payments to the entire population without discrimination is the main objective of the policy of financial inclusion. Many financial technology-based innovations are emerging in the future to improve financial inclusion. The purpose of this study is to encourage the level of achievement of financial inclusion programs through the most effective and transparent financial services. In this study discusses various financial technological innovations used to reach rural communities and conceptual models are developed to identify the factors that drive financial inclusion. The results of the study developed through literature research identified that the level of financial literacy, high cost, technology, trust, income level, distance, and product, is the determining factor of financial inclusion in rural areas.

Keywords: Financial inclusion, financial technology, technology information

1. Introduction
In the era of information technology, building a strong foundation and economic independence is essential, including the need for an increasingly widespread banking service in serving customers (customers). A strong financial system is essential to creating a market-based economy that is productive and competitive. A strong financial system, will also support higher levels of investment and boost growth in the economic sector.

The banking industry has shown remarkable growth and progress in the last few decades. Nevertheless, there are concerns that much-needed banking services have not yet reached a broad segment of society, especially the poorer segment of society.

The government has a long history of expanding financial inclusion. In 1975 the Government of Indonesia established a BPR for the same purpose. This encourages the expansion of banking roles especially in rural areas.

The Financial Services Authority (OJK) in the National Literacy and Financial Inclusion Survey (SNLIK) conducted in 2016 found that Indonesia's literacy index and financial inclusion increased, compared to similar results conducted by OJK in 2013.

In 2013, the financial literacy index reached 21.84 percent and the financial inclusion index reached 59.74 percent. While the financial literacy index in 2016 reached 29.66 percent and the financial inclusion index reached 67.82 percent.

In detail, the index of banking literacy increased from 21.80 percent in 2013 to 28.94 percent in 2016. Meanwhile, the index of insurance literacy fell from 17.84 percent in 2013 to 15.76 percent in 2016. The pension fund's literacy index rose from 7.13 percent in 2013 to 10.91 percent in 2016.

Meanwhile, the lending index of finance institutions rose from 9.80 percent in 2013 to 13.05 percent in 2016. The index of parix literacy rose from 14.85 percent in 2013 to 17.82 percent in 2016. Then the index of capital market literacy rose from 3, 79 percent in 2013 to 4.40 percent in 2016.

Financial inclusion is an important priority in terms of promoting economic growth and economic development of society. Through financial inclusion gives opportunity to the poor the opportunity to form savings and invest and get credit.

The weaker part of society is generally ignored by formal financial institutions. There is a complexity facing banks in providing financing to the disadvantaged parts of society. This has led to vulnerable and low-income groups, remaining outside the most basic opportunities and services provided by the financial sector.

To solve the problem of such financial exclusion, it is important to ensure that various financial services are available to each individual. If such a priority can be affordable, it is possible to reduce the gap between rich and poor.

2. Literature Review

Financial inclusion is defined as the delivery of affordable, cheap, fair and secure financial services to most low-income groups in order to improve their welfare.

The United Nations defines the main objectives of inclusive financing as access to various financial services such as savings, credit, insurance, remittances, and other banking payment services to all households and companies in order to be bankable at a reasonable cost.

The availability of banking services and payments to the entire population without discrimination is the primary objective of this public policy. Thus, the essence of financial inclusion is ensuring that appropriate financial services are available to individuals and enable them to understand and access the services.

The term financial inclusion can be defined as a process to ensure access to financial and credit services is timely and sufficient when needed by weaker groups and low-income groups at an affordable cost.

Access to finance is a form of providing the ability for the underprivileged to contribute to development. There is a positive correlation between financial development and economic growth (King et al, 1993).

Mahadeva (2008) points out that financial inclusion, in any economy, is a prerequisite for achieving industry growth and overall development. While Chitta (2009) notes that financial inclusion offers additional and complementary solutions to poverty to promote inclusive development and to address the MDGs.

Financial inclusion is a long-term strategy, but to achieve its objectives, we need to understand what to pay attention to:

1. Provide access to basic financial services such as banking and others.
2. The use of financial services must meet the needs of the poor.
3. Financial products must be affordable.
4. The quality of products and services should be improved.

Given the progress that has been made to financial inclusion, more work needs to be done by banks and policy makers to constantly discuss the most effective strategies for developing financial inclusion.

Innovation in the field of banking business models and banking without branches is one of the important things in the direction of financial inclusion. To improve the inclusion of financial initiatives, a better business model that needs not only caters to current economic needs but also has to build the foundation for future financial inclusion plans. In this case, financial technology plays an important role in improving financial inclusion for the following reasons:

1. Help reduce product cost.
2. Reduce transaction costs.
3. Improve product quality.
4. Helps in increasing choice and flexibility to customers.
5. Expanding reach

All of the above reasons contribute to improving the usability of financial products through the utilization of information technology. Information technology plays an important role in improving the utilization of financial products.

Mobile technology and large-scale penetration are good examples. The first product popular around the world is M-Pesa. M-Pesa from Kenya has spread rapidly and has become one of the most successful mobile-based financial services.

M-pesa is a simple mobile banking application where customers can send money to individuals or can buy goods by transacting with M-Pesa applications. The product is easy to use and affordable for the locals and provides a selection of products that customers can choose from. Including ease of conversion money because of the number of M-Pesa outlets. One of the main reasons for M-Pesa's growth in Kenya is due to the growing growth of mobile communications in the late 2000s.

After the success of M-Pesa many countries adapted the idea of branchless banking. True to the present trend, the future of banking without branches looks bright. Many technological innovations will emerge in the future to improve financial inclusion.

After M-Pesa, many companies in Kenya are investing in branchless banking. Recently there is a new product launched that is similar to M-pesa like IKO-Pesa which is also known as orange money. Other countries have also developed mobile banking solutions, such as Easy Paisa in Pakistan, EKO in India and G-Cash in the Philippines.

Strong technological innovation in financial services needs to be supported by a strong business model. In the case of M-pesa is supported by a strong agent network that gives customers the convenience to get customer support, cash conversion, and better service quality. Also the support of safari.com the largest telecom operator in Kenya that gives them a better edge because of its huge customer base and highly reliable brand name.

2. Methodology

The author uses descriptive research method, with the aim to obtain answers related to opinions, responses or perceptions of a person so that the discussion is done qualitatively. Research begins with literature study, as a method of data collection directed to search data and information through written documents, electronic documents and research literature.

The next method of data collection is through observation that is collecting data by way of observation about the existing situation in the field. By doing the observation, the author becomes more understanding about the subject and the object being studied. Interviews or interviews are needed to support data collection methods as a step to strengthen observations deeper. While data collection techniques that will be used is data collection by using books, literature or library materials to strengthen the theoretical foundation in research.

3. Results and Discussions

Financial inclusion is an important element that makes growth including access to finance that enables economists to make long-term consumption and investment decisions, participate in productive activities, and address unexpected short-term financial problems.

Financial inclusion has a link between poverty and income inequality so it is important for policymakers to design and implement programs that will expand access to financial services, which can lead to reduced poverty and reduced income inequality.

There are several factors that influence the level of financial inclusion, including per capita income, regulatory legislation, and demographic characteristics, financial regulatory oversight. These factors contribute to poverty reduction and lower income inequality.

While the most significant factors affecting financial inclusion indicators are the importance of per capita income, rule of law, and demographic factors. The findings show clearly there is a strong and significant correlation between higher financial inclusion and lower poverty and income inequality.

First, the economic demographic characteristics significantly affect the level of financial inclusion. Economies with large population sizes tend to have greater access to financial services, while those with high dependency ratios have lower access to financial services.

Secondly, similar to the findings of Honohan (2008) and Rojas-Suarez (2010), good governance and high institutional quality significantly increased financial inclusion. This implies that to expand access to finance, it is necessary to continually improve the quality of governance and its institutions, in particular through strengthening of legislation, including the enforcement of financial contracts and financial regulatory oversight. Maintaining a quality legal rule.

Third, given the strong correlation between financial access and poverty levels, policy makers must implement policies that address barriers to financial inclusion. In this regard, promoting inclusive growth should complement efforts to increase financial inclusion.

The key step of this policy is to strengthen the role of microfinance. Expanding access to credit to low-income groups will increase their access to financial services, which in turn allows them to engage in productive activities and smooth their consumption in the face of short-term economic shocks.

To further reduce income inequality, more action is needed to address low financial access to low-income groups of financial services. In this context, programs that will help reduce poverty will also overcome income inequalities.

Digital framework

An advanced information technology ecosystem will greatly assist the development of financial inclusion. This includes the community having knowledge of finance (financial literacy) and the use and utilization of technology. If someone does not know how to operate a mobile phone, of course, he is not interested to follow mobile banking.

The role of information technology in support of financial inclusion must be enforced with adequate regulation. Rules play a key role in ensuring appropriate services are provided to users. To that end, the regulator must:

1. The regulator should be open to experiment, learn and apply. They must work to improve public-private partnerships.
2. A mild requirement to facilitate customer registration.
3. Focus on security and customer protection.

Education about financial services is very important. The following suggestions should be implemented to improve financial inclusion:

1. The central bank should increase the number of branches of banks in remote areas.
2. The central bank should often check whether the financial product is actually utilized by the customer effectively, otherwise it should analyze the reason.
3. Banks should focus more on products that are simple, affordable, and must have high utility.
4. Banks should conduct regular surveys in villages to understand the financial needs of the community.
5. NGOs and non-profit organizations and other non-governmental organizations may engage more to spread financial services to remote areas that are difficult to access.
6. Banks shall allow customers to provide feedback on product services.
7. The central bank should allow providers to provide better mobile banking products at affordable prices.
8. Microfinance / non-banking organizations may be licensed to perform limited financial services in remote areas.
9. Encourage many intermediaries / agents with incentives to facilitate the popularization of financial products in remote areas.
10. Opening a bank account without minimum balance conditions should be allowed in all branches and places. Also simplify the procedure of opening a bank account.
11. Opening of bank branches in remote and rural areas should be liberalized by the Central Bank.
12. Telecommunications and bank service providers should jointly exercise and implement simple mobile banking solutions.
13. The central bank should enable entrepreneurs to invest in new product innovations in financial innovation.
14. Mobile Banking should be encouraged / incentivized as a smart way to send and save money in rural areas.

4. Conclusions and recommendations

Technological innovation and communication technology support play an important role in supporting the development of financial technology necessary to strengthen the role of financial inclusion. Increased financial inclusion significantly has a significant correlation and influence on poverty alleviation and reduced income inequality. The results of this conclusion provide a framework for stakeholders to strengthen the role of financial inclusion in rural communities and low-income communities.

The suggestion of this research is the need for further research through field research with primary data collection to produce more in-depth quantitative research. While the framework in this study can be followed up through more in-depth field research.

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Biographies

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