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International Journal of Economic Perspectives

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The Determinants of Financial Inclusion: Evidence from Indonesian Districts

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ABSTRACT

The financial sectors with their various derivative products have become important media in supporting economic and social activities. This condition was growing more conducive by rapid development of information technology, so that financial access can reach various groups of people. Financial inclusion has become the government's program which was aimed to encourage the financial system which can be accessed by all segments of society, so they were expected to boost the economic growth and to overcome the poverty. Jember and Bondowoso regency that play as the barometer of the regional economic growth in East Java make financial inclusion program as the development priority. This study was aimed to describe of society's financial inclusion in Bondowoso and Jember Regency; and indentify the determinant of society's financial inclusion in Bondowoso and Jember Regency which was used quantitative descriptive from existing and tabulation data through interviews and logit model. The results of the analysis showed that the aggregate level of financial inclusion in Bondowoso and Jember was good enough which was indicated by the availability of sufficient number of banking institutions with financial service facilities. But some people still find some difficulties in reaching financial due to low financial literacy levels and the limited information from the public, it was caused by the fears toward other individual financial service providers. The society's access to financial credit facility especially business loans was quite high and becomes potential indication in developing the real sector.

JEL Classification: G28; R12; R13.

Keywords: Financial Inclusion; Banking; Growth; Indonesia.

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1.   INTRODUCTION

Financial inclusion has become the government's program through the Financial Services Authority (FSA) and the Association of Financial Services Institutions whose aim was to encourage financial system that can be accessed by all segments of society so they were expected to boost the economic growth and overcome the poverty. In fact, on November 19, 2013, the President of the Republic of Indonesia has officially launched the blueprints of financial literacy to give financial education to society in order to be able to manage finances and to open the access of information and the use of financial service product through the development of the infrastructure in financial literacy supports. The financial inclusion program was based on the survey results conducted by World Bank and Bank Indonesia that shows low level of society's accessibility toward finance institutions. The World Bank survey (2011) showed that only 19.6 % of Indonesian adults have bank accounts in formal financial institutions.

The figure was lower than Vietnam which was 21,4 %, The Philippines 26,5 %, India 35,2 %, Malaysia 66,7 % and Thailand 77,7 %. The problem faced in expanding financial inclusion was the obstacle faced by the society and financial institutions. The societies' problems were the lack of knowledge on the financial management and the costs of opening bank account and administrative costs. For some people these things were still considered to be quite burdensome. Besides, other issues in the process of borrowing was in the fulfillment of requirements on formal legal aspects of business owned, lack of information on banking products or products that do not fit the needs. While, the problems in the financial institutions were including the limitation of the coverage area and expanding the office network, and the lack of information about consumer's finance. Intensification of financial inclusion program also occurred in the regions. Jember and Bondowoso as the barometer of economic growth in the eastern region of East Java Province make financial inclusion as an effort to encourage the financial sector as the engine of growth of the regional economy. Bondowoso and Jember were two districts that have geographical proximity and similarity in the socio-cultural characteristics of the society. Other phenomenon that occurs was the low of public financial inclusion of only 37.9 people who own bank accounts. This study aims to (1) identify societies' determinants of financial inclusion in Bondowoso and Jember Regency; (2) to formulate a strategy in developing a model to increase societies' financial inclusion in Bondowoso and Jember.

2.   REVIEW OF LITERATURE

Financial inclusion depicts unbanked population on limited access to the formal financial system whether in saving activities, payment, credit and insurance. Hence, policies designed to eliminate obstacles to access finance was needed (Hannig and Jansen, 2010). While the Financial Inclusion 2020 Project defines financial inclusion as: "Full financial inclusion was a state in which all people who can use them (including disabled, poor and rural populations), have access to a suite of quality financial services provided at affordable prices, in a convenient manner, and with dignity for the clients. Financial services were delivered by a range of providers, most of them are private, to a financially literate and capable market". Financial inclusion was not merely a target but more than the equalization of inclusive growth. The achievement of financial inclusion was when people get the welfare from the economic growth. The significance of financial inclusion was to provide appropriate financial services for individuals, to give insight and access to financial services. Financial inclusion provides space for the work of financial intermediation including the payment transactions, financial products that meet the financial capacity of poor households, money transfer facilities, micro-credit and other financial services including insurance.

Financial inclusion has become an interesting topic in recent years. Although the number of saving accounts in the world was greater than the total world population, but 2.5 million people, or half of the adult communities still do not have savings or unbanked (Chaia, 2010). In the macro level, financial development was to measure the depth of financial services such as the proportion of private sector credit to the Gross Domestic Product (GDP). Therefore, financial inclusion was directly related to equitable development and poverty reduction. Financial inclusion also has a vital role to the development of human qualities. While at the micro level, helping people on financial services could mitigate the risk during the economic shocks that can be catastrophic. Financial services help people to save and gain the profit interest in order to be productive capital and later it will implicate the overall financial stability (Beck et al, 2007). Hanning and Jansen (2010) divided four factors in assessing the development of financial inclusion in a country. Some of these factors were the accessibility, quality, utilization and impact. Access and availability were to measure community access to formal financial institutions. This included the supply of financial services such as credit, savings, payment and clearance systems and so on. Then to evaluate the access and availability, the potential constraints such as geographical and infrastructure can be identified. To determine the level of accessibility, the main determinant was estimated as a proportion of the number of people who can access financial services.

The quality factor becomes services relevance variable or financial products to maintain the needs of society. The indicators of the quality factor were the choice of consumer and financial literacy of the option, while the benefit factor was the actual frequency and the depth in the use of financial products all the time, and the impact factor and satisfaction can be seen from the impact of the financial inclusion on the development of human qualities. Sarma (2012) investigated the relationship between financial inclusion and development. By using financial inclusion index, this study aims to identify the factors that significantly affect the financial inclusion. The level of human development and financial inclusion has a great correlation. While socio-economic factors such as income were positively associated with financial inclusion. So, the importance of other factors was such as inequality, literacy and urbanization. Physical infrastructure has a significant relationship with financial inclusion. As for the banking variables NPA and the CAR have a negative correlation with financial inclusion.

The study of Chattopadhyay (2011) examined the financial inclusion in West Bengal using the dimensions in financial inclusion index. The study showed that Kolkata has the highest index values of inclusion followed by Darjeeling. Based on the survey about 38 percent of respondents do not have enough income to open a bank account and creditor was still dominating as a source of funding in rural communities than formal financial institutions. Ackah and Asiamah (2014) examined the financial inclusion in Ghana. The study showed that the Human Development Index has a significant correlation with financial inclusion in Ghana. The problem in financial inclusion was the high number of transaction and infrastructures costs. Although the government provides inspection regulatory and license, the existing institutions do not comply the existing regulations. Hence, the legal framework for informal financial institutions was needed, so that the public can access finance at low cost with minimum requirements. Kharchenko (2011) examined the determinants of financial literacy and its implications for savings behavior in Ukraine, using the survey data Financial Literacy and Awareness in Ukraine on Financial Sector Development Project (FINREP) and USAID in 2010. The study shows the main determinants affecting the financial literacy in Ukraine were gender, education level, occupation, region and wealth. Age and the place of residence do not significantly affect the financial literacy. Implications of financial literacy on savings behavior do not have a direct influence on the wealth that was being controlled. So, financial literacy and wealth were correlated.

3.   RESERCH METHODOLOGY

This research is an explanatory research because it provides picture or description of financial inclusion level by the society in Bondowoso and Jember regency. In addition, this study also aims to determine the main determinant of financial inclusion and give people the formulation of strategies based on the results of analysis in developing a model of financial inclusion in Jember and Bondowoso. The research location was done deliberately or was called purposive sampling i.e. in Jember and Bondowoso regency. The consideration in determining the locations was due to the fact that these two regencies have geographical proximity and similar socio-cultural characteristics of the people although living in different regional micro economics conditions. From each regency three districts will be selected as the sample with these criteria; developed, developing (moderate) and left areas. The districts taken from Jember include Sumbersari as the advanced areas, Wuluhan as the developing area and Kalisat as the lowest criteria. While in Bondowoso itself, Bondowoso included as a developed area, Sumber Wringin as a developing district and Tenggarang as the left area. The sampling technique was done by purposive sampling. The number of respondents for each district was 60 people, so the total respondents were 180 people consisting of housewives, employees like governments and private workers, and students. The total respondents for the two regencies were 360 people. The Selected respondents was in the average range of 18 years old to 70 years' old who were considered to be able in making decisions and managing finances.

The type of data that will be used was the perception of the respondents as well as existing data so that the analytical methods used in this study was a quantitative approach in the form of quantitative descriptive. Several stages in the data analysis were to map the determinants of financial literacy comprising the socio-economic, infrastructure and banking variables including banking habit and to formulate a strategy to develop a model of financial inclusion in accordance with the characteristics and the needs in Jember and Bondowoso Regencies. The determinant of society's financial inclusion in Bondowoso and Jember Regency is identified by the logit model. The logit model used in this study was: Some factors that affect the probability of individual communities in deciding the used of banking products, namely gender, age, education level (educ), income, literacy (literate) and distance or access to financial institutions.

4.   RESULTS AND ANALYSIS

The access to financial institutions was necessary for people in line with the dynamics of economic activity that were more massive and boundless. The role of banks as financial institutions with the biggest asset composition and ownership of financial products among other financial institutions makes banking becomes an important medium in facilitating all economic activities throughout the regions. There are still many people who cannot afford those facilities. It becomes an important task of financial institutions authority in improving the accessibility of the public finances, particularly those in boarder areas and the community with low level of financial literacy.

Jember Regency

Regarding the availability of banks in each region, 84 percent of the sample know and 16 percent of them still do not know. It can be caused by the distance of their home and the location of the banks. The average distance among

residences and banks was less than 5 km as much as 77.7 percent, from 6 km to 10 km was 14.9 percent and more than 10 km was 7.4 percent. Besides that, the average number of banks ranged between one to two banks.

Besides the direct transactions through banks, people were also provided banking facilities through Automatic Teller Machine (ATM) where 84.4 percent of people use the facility and 15.6 percent do not use the facility. The number of Automatic Teller Machine (ATM) in each region exists one to two ATMs on average in accordance with the number of the banks in each region. Meanwhile, from the distance of a residence with ATM on average less than 5 km as much as 81.1 percent, from 6 km to 10 km as much as 13.1 percent and more than 10 km was 5.7 percent. This condition shows the low number of banking facilities that were accessible. Seeing from the public response towards the access service to banking institutions (Figure 1), generally, the bank has good service both in the product offerings, the interest rate, and the provision of information about financial services. While 2.6 percent of the population considered the service was poor due to the low information access from financial institutions to the public directly. Usually the information was given when they come to the bank. The electronic information cannot be obtained easily by the people considering the low literacy and the poor ability to use technological information of banking revives.
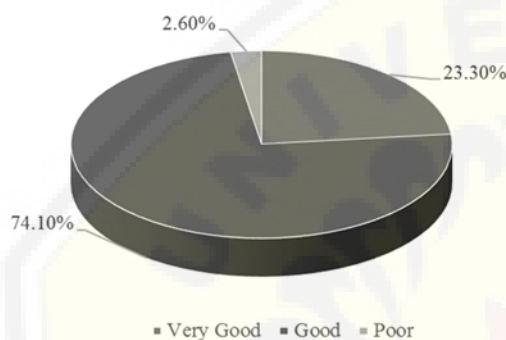
Source: Primary data, processed, 2015

Figure 1.
The Perception of Bank Service Level in Jember.

Under the ownership of financial products, about 88 percent of people in Jember own saving accounts at the bank, and only 12 percent do not have. The reason of unbanked people was that they do not have enough money and still there were administrative costs in their bank accounts. On average number, people have one to two bank accounts and most of them were kind of savings. While, saving intensity was once a month as 30, 8 percent and as much as 47 percent can save at the time.

Source: Primary data, processed, 2015

Figure 2.
The Saving Intensity of People in Jember

Generally, people have used banking transactions through banking, which was indicated by the intensity of the community in checking their accounts or doing cash withdrawal. The average use of the accounts was for cash withdrawals and other transactions.
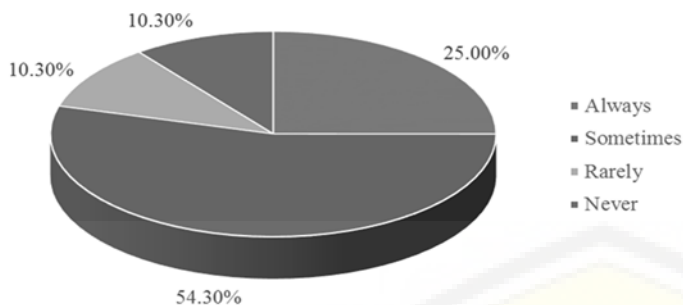
Source: Primary data, processed, 2015

Figure 3.
The Intensity of Account Checking in Jember.
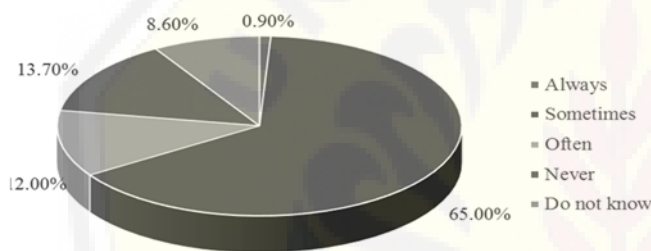
Source: Primary data, processed, 2015

Figure 4.
Intensity of Cash in Jember

The same things were also in the use of Automatic Teller Machine (ATM) services, where most of the people sometimes use the ATM for financial transactions and only 14.4 percent always use the ATM. Generally, people use ATM for cash transactions as much as 68.4 percent and transfers as much as 12.3 percent, while other transactions such as bill payment check account balances and others were also done.
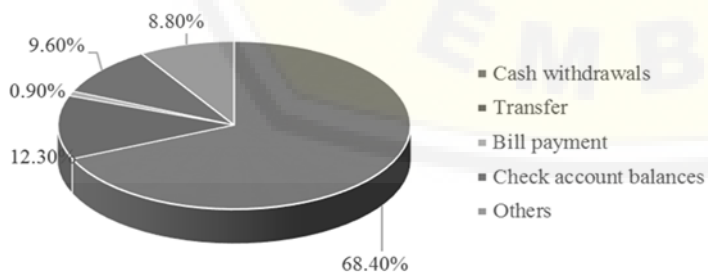
Source: Primary data, processed, 2015

Figure 5.
The intensity of Automatic Teller Machine (ATM) Usage in Jember

In addition to the use of banking services through ATMs, a small part of society has used mobile banking facility in facilitating financial transactions. A total of 12.8 percent of people have used mobile banking most of them were students and employees who were judged to have well literate on financial institution and were aware of the information technology usage. While 87,2 percents of people do not use this facility due to the lack of knowledge in accessing information through mobile banking. Therefore, in this case, banks need more intensive efforts in introducing or dissemination to the public on the use of mobile banking or branchless banking.
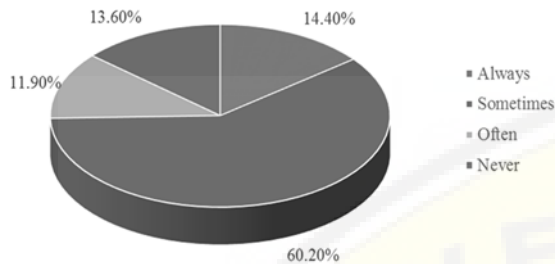
Source: Primary data, processed, 2015

Figure 6.
The Purpose of Automatic Teller Machine (ATM) Usage in Jember

This will facilitate the public in accessing information and financial transactions without having to come directly to the bank. Generally, the use of mobile banking was to check balances and other banking transactions such as transfers and bill payments. In terms of credit, most people have used the credit facilities offered by financial institutions that were as much as 40.8 percent and only 59.2 percent who do not utilize the credit facility. Some communities have used the bank as a credit application institution and a few others still use other financial services, including loans to moneylenders who were considered to be easier whether in the requirements, procedures or access to credit that was generally carried out door to door. Most people still consider credit application through banking system as still complicated by the requirements, administrative procedures and guarantees that must be owned by the people. The average type of credit offered to public was as much as 59.5 percent of business loans and housing loans as much as 15.5 percent. This shows that the interest of public in the field of business loans was quite high and becomes an interesting indication in developing the real sector. This was in line with the bank's mission to develop and improve access to financial or business financing, especially Micro, Small and Medium Enterprises (UMKM)
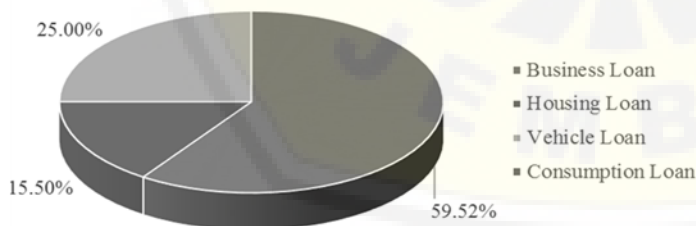
Source: Primary data, processed, 2015

Figure 7.
Banking Credit Submission Type in Jember

The determinants of public financial inclusion in Jember Regency include some factors: gender, age, education level, income, literacy, and distance. Here are the results of the analysis of the determinants of financial inclusion

in Jember using logit model. Based on the results of the determinants analysis with the intercept 0.022 means that when the independent variables do not have influence in the community, then the probability of financial inclusion particularly banks are:

Ln (p/(1-p) = 0,022
(p/1-p)   = e 0,022
p   = e 0,022/(1+e 0,022) = 50,55%

While the slope of the independent variable gender does not significantly affect the financial inclusion of communities in Jember. Gender parameter has a negative sign which means that males having the chance or probability was smaller in financial inclusion than women. With Exp (B) of 0.984 means that males have the opportunity 0.984 times that of women. These findings were particularly interesting in the community because most of the males as the main breadwinners have more opportunities in access to finance, but in fact women have a better chance.

Table 1. Estimation Results of the Determinants of Financial Inclusion in Jember

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Gender	-.016	.931	.000	1	.986	.984
	Age	.078	.033	5.671	1	.017	1.081
	Education	2.390	.840	8.095	1	.004	10.913
	Income	-.506	.827	.374	1	.541	.603
	Literate	1.455	.715	4.137	1	.042	4.284
	Distance	-1.613	.487	10.951	1	.001	.199
	Constant	-.022	1.406	.000	1	.988	.979

Notes: logit model, the dependent variable was community inclusion on banking

This was because women have a duty to manage family finances so that the intensity of access to formal financial institutions was greater than men. The age variable has a positive sign, which means that the higher the individual's age, the opportunities in the greater financial inclusion was equal to 1,081 times. This was in line with the criteria that the increasing age of the more productive and have the potential to access the financial sector, given the age of 18 years were assumed to have had financial literacy fairly and generally already have jobs and income that have a chance of managing and accessing financial institutions formal finance. Education factor has a positive sign, which means that groups of people with high school education up to have a better chance than under high school education that was 10.913 times larger. This was due to communities with higher education, that assumed to have the financial literacy to better and have the ability to access financial information more intensively through both print and electronic media. In addition to the higher level of education, income level was greater, so it was able to finance greater access. Another interesting thing in the findings of this research was evidently the level of income does not have a significant influence on the financial inclusion in Jember. The distribution of public income above Rp. 1.000.000, - have fewer opportunities than people in financial inclusion under Rp. 1.000.000. This indicates that public access to the smaller income was higher so the difference does not affect the income of financial inclusion in communities. Literacy or understanding of the community to finance is a major factor in determining financial inclusion. People were expected not only to have affordability or financial inclusion but were also expected to a good understanding or well literate to financial institutions. It was shown that the more literate communities will have opportunities in the greater inclusion indicated by the value of exp (B) of 4.284 times. Distance has a major influence in determining financial inclusion communities. The existence of formal financial institutions was more easily accessible by the public, especially within the bank office will determine the level of community's inclusion because it will encourage people to save and intensive in accessing formal financial services. This was because the harder distance can affect the motivation of people to access financial institutions and exacerbated the literacy level of the community because the information financial institutions become more difficult as well.

Bondowoso Regency

There were available numbers of bank in each region according to 65, 9 percent of sample respondents, but 34, 1 percent answer that there were no available banks near their residences. It can be caused by the distance of the bank and their houses. The average distance of bank and their residences was 5 km as much as 58,6 percent, about 6 km to 10 km as much as 30,2 percents and less than 10 km as much as 11,2 percent. While the number of banks was about one to two banks. In addition to direct transactions through the bank, the community also provided banking facilities through Automatic Teller Machine (ATM) where 67.3 percent of people use the facility and 32.7 percent do not use the facility. Number of Automatic Teller Machine (ATM) in each region on average only one to two ATMs in accordance with the number of banks exist in each region. Meanwhile, from the distance of a residence with ATM was on average less than 5 km as much as 59.8 percent, from 6 km to 10 km as much as 25.6 percent and more than 10 km was 14.6 percent. This condition shows the low number of banking facilities that were accessible by public. Seeing from the public response towards the access service to banking institutions generally, the bank has good service both in the product offerings, the interest rate, and the provision of information about financial services.
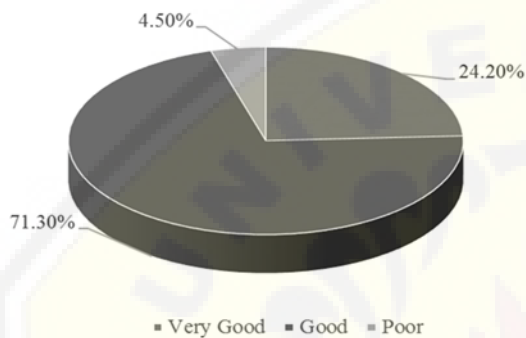
Source: Primary data, processed, 2015

Figure 8.
The Perception of Service Bank Level in Bondowoso

While 4.5 percent of the population considered the service was poor due to the low information access from financial institutions to the public directly. Usually the information was given when they come to the bank. The electronic information cannot be obtained easily by the people considering the low literacy and the poor ability to use technological information of banking revives. Under the ownership of financial products, about 86,8 percent of people in Bondowoso own saving accounts at the bank as much as 86,8 percent, and only 13,2 percent who do not have. The reason of unbanked people was that they do not have enough money and still there were administrative costs in their bank accounts. On average number, people have one to two bank accounts and most of them were kind of savings. While, saving intensity was once a month as 38,9 percent and saving as much as 33,8 percent.

Source: Primary data, processed, 2015

Figure 9.
People's Intensity Saving in Bondowoso

In general, people have used banking transactions through banking, which was indicated by the intensity of the community in checking their accounts or doing cash withdrawal. The average use of the accounts was for cash withdrawals and other transactions. The same things were also in the use of Automatic Teller Machine (ATM) services, where most of the people sometimes use the ATM for financial transactions and only 11.8 percent always use the ATM. Generally, people use ATM for cash transactions as much as 67.8 percent and transfers as much as 17.1 percent, while other transactions such as bill payment check account balances and others were also done. Besides the use of banking services through ATM, small parts of society have used mobile banking facility in facilitating financial transactions. A total of 23.4 percent of people have used mobile banking. Most of them were students and employees who were judged to have well literate on financial institution and were aware of the information on technology usage. While 76,6 percents of people have not used this facility which was caused by the lack of knowledge in accessing information through mobile banking. Therefore, in this case, banks need more intensive efforts in introducing or dissemination to the public on the use of mobile banking or branchless banking. This will facilitate the public in accessing information and financial transactions without having to come directly to the bank. Generally, the use of mobile banking was to check balances and other banking transactions such as transfers and bill payments.
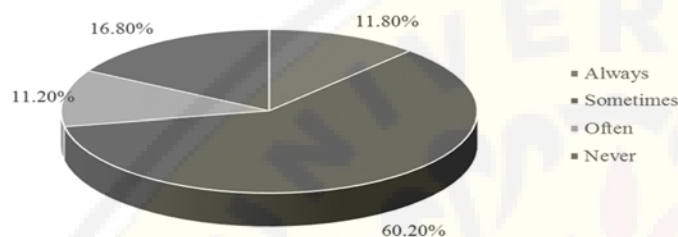
Source: Primary data, processed, 2015

Figure 10.
The Intensity of Account Checking in Bondowoso
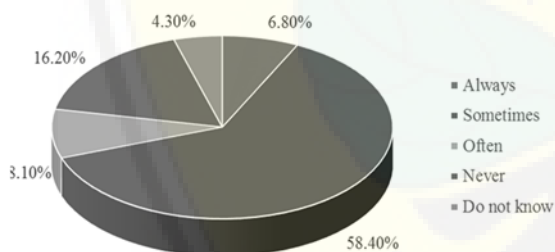
Source: Primary data, processed, 2015

Figure 11.
The Intensity of Cash in Bondowoso

In terms of credit, most people have used the credit facilities offered by financial institutions that were as much as 72,6 percent and only 27,4 percent who do not use the credit facility. Some communities have used the bank as a credit application institution and a few others still use other financial services, including loans to money lenders who were considered to be easier whether in the requirements, procedures or access to credit that was generally carried out door to door. Most people still consider credit application through banking system as still complicated by the requirements, administrative procedures and guarantees that must be owned by the people.

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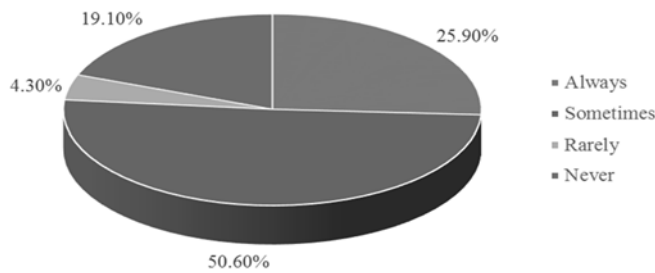
Source: Primary data, processed, 2015

Figure 12.
The Intensity of Automatic Teller Machine (ATM) Usage in Bondowoso
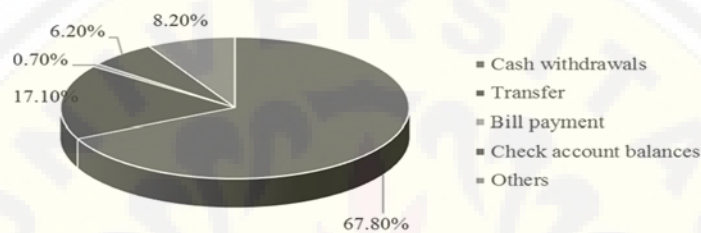
Source: Primary data, processed, 2015

Figure 13.
The Purpose of Automatic Teller Machine (ATM) Usage in Bondowoso
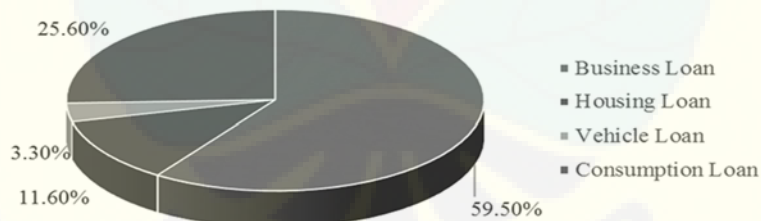
Source: Primary data, processed, 2015

Figure 14.
Banking Credit Submission type in Bondowoso

The average type of credit offered to public was as much as 59.5 percent of business loans and housing loans as much as 11.6 percent. This shows the interest of public in the field of business loans was quite high and becomes interesting indication in developing the real sector. This was in line with the bank's mission to develop and improve access to financial or business financing, especially Micro, Small and Medium Enterprises. As the case with Jember Regency, Bondowoso Regency was geographically adjacent to Jember, socially they have similar cultural characteristics. However, different from Jember, the growth of the financial sector in Bondowoso Regency was little bit relatively small when compared to Jember. Given Jember Regency still a barometer of higher education centers in the eastern part of East Java Province so that the intensity of economic activities was higher than other districts in the region of former residency Besuki. The determinants of community's financial inclusion in

Bondowoso Regency in this study include several factors: gender, age, education level, income, literacy, access to financial institutions or distance. Here were the results of the analysis of the determinants of financial inclusion in the regency by using logit model. Based on the results of the analysis with the intercept value of 2.125 means that when the independent variable has no effect then the probability of financial inclusion particularly the banking was:

Ln (p/(1-p) = 2,125
(p/1-p)   = e 2,125
p   = e 2,125/(1+e 2,125) = 89,33%

When compared to Jember Regency, Bondowoso Regency has a probability community in greater financial inclusion.

Table 2. Estimation Results of the Determinants of Financial Inclusion in Bondowoso

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Gender	-1.337	.581	5.301	1	.021	.263
	Age	-.011	.028	.147	1	.702	.989
	Education	1.807	.648	7.770	1	.005	6.089
	Income	.473	.615	.591	1	.442	1.605
	Literate	4.102	1.200	11.689	1	.001	60.489
	Distance	-.164	.394	.173	1	.677	.849
	Constant	-2.125	1.827	1.352	1	.245	.119

Notes: logit model, the dependent variable was community inclusion on banking

Interesting findings showed that although socioeconomic was little bit below Jember Regency, the potential development of financial inclusion in Bondowoso Regency was quite large. This indicates the high public interest in accessing formal financial services. While the slope of independent variables, gender, negative sign means that the chance or probability males have was smaller in financial inclusion than women. With Exp (B) of 0.263 means that males have the opportunity 0.263 times that of women. This finding was very interesting in communities because most of the males as the main breadwinners have more opportunities in access to finance, but in fact women have a better chance. This was because women have a duty to manage family finances so that the intensity of access to formal financial institutions was greater than males. The variable age was not statistically significant in influencing the community's financial inclusion. Parameter age has a negative sign, which means that young people having opportunities in greater financial inclusion was equal to 0.989 times. It was more due to the younger age groups which generally have a better literacy rate to financial institutions in line with the dynamics of rapid information technology and attractive without knowing the boundaries and age groups. Interest in the younger age groups was much greater than the upper middle age group. Education factor has a positive sign, which means that communities with a high school education (high school) and over have a better chance than education below the high school that was 6.089 times greater. When compared to Jember Regency, Bondowoso's value has smaller chance at educational level. This was due to the fact that people with higher education were assumed to have better financial literacy and have the ability to access financial information more intensively through both print and electronic media. In addition to the higher level of education, the level of income was greater, so it was able to finance greater access. As in Jember, the regency level of income does not have a significant influence on financial inclusion in Jember. The distribution of public income above Rp. 1.000.000, - have fewer opportunities than people in financial inclusion under Rp. 1.000.000. This shows that Keteraksesan people with smaller incomes were higher so the difference does not affect the income of financial inclusion in society. Literacy or understanding of the community to finance was a major factor in determining financial inclusion. People were expected not only to have affordability or financial inclusion but they were also expected to have a good understanding or being well literate to financial institutions. It was shown that the more literate society will have opportunities in the greater inclusion indicated by the value of exp (B) amounting to 60.489 times. When compared with people in Jember, Bondowoso has a value far greater opportunities. This was in line with the interest of the younger age group being greater for financial services. Distance does not have a significant effect. Distance was not a major consideration in reaching the community formal financial institutions. The existence of formal financial institutions was more

easily accessible by the public, especially within the bank office will determine the level of community inclusion because it will encourage people to save and intensive in accessing formal financial services. This was because with the harder distance can affect the motivation of people to access financial institutions and exacerbated the literacy level of the community because the information financial institutions become more difficult as well.

5. CONCLUSIONS AND RECOMMENDATIONS

Based on the analysis of the results of financial inclusion level and financial inclusion determinant in Jember and Bondowoso, there obtained some conclusions as follows: The aggregate level of financial inclusion in Bondowoso and Jember was quite good as indicated by the availability of sufficient number of banking institutions with financial service facilities. But some people still have limited access to the financial reach due to the low of financial literacy levels and the limits of public information. Public access to financial credit facility particularly on business loans was quite high and becomes potential indication in the real sector development. The determinants of public financial inclusion in Jember are age, level of education, financial literacy and financial institutions within the affordability of the public. This shows there is no income gap that affects inclusion, people with different income strata have the same pattern in reaching financial services. While in Bondowoso, several major determinants in community financial inclusion are gender, education and community literacy. But the interesting thing is the influence of public literacy in the regency is greater than Jember. This is in line with the increasing number of younger age groups in the regency with financial literacy and the interest in the services of financial institutions is quite high.

The people have good potential to improve their literacy and financial inclusion as indicated by the desire to obtain all the information related to finance. The people's potential to be well literate should be supported by related stakeholders such as the Government, Bank Indonesia, the Financial Services Authority and other stakeholders to improve socialization about the role and benefits of financial products and services use.

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