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FINANCIAL INCLUSION AND POVERTY ALLEVIATION: EVIDENCE FROM INDONESIA

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Abstract

Some empirical studies support the argument that greater Financial Inclusion (FI) improve the quality of financial services and benefit poor people. Then FI has become a significant issue in developing countries like Indonesia where the large number of people are still far from the access to basic financial services and formal financial institutions and the poverty remains a big issue. Base on the World Bank's Survey (2010), only 49 percent of Indonesian households have access to formal financial institutions, while The Central Bank of Indonesia-Bank Indonesia (BI) base on Household Balance Sheet Survey (2011) shows that only 48 percent of households save their money in formal financial institutions and non-financial institutions.

This paper describes the FI in Indonesia, especially how the role of FI in reducing the poverty, since the average number of poverty growth pattern is decreasing. The % of poverty growth semi annually from March 2012 until September 2017 is -0.81%. The number in the urban is -0.30% and in the rural is -1.11%. These suggest that there is a decreasing number of poverty growth in Indonesia inline with the increasing role of FI. This argument supported by negative correlations between financial inclusion indicators and poverty

Keywords: Financial Inclusion, Poverty

INTRODUCTION

There are numerous definition about financial inclusion and most of them are related to financial services's access by adult and also poverty alleviaton. Some studies support the argument that financial inclusion may decrease poverty, but the other doesn't.

Vol. 2, No. 03; 2018

ISSN: 2456-7760

Access to financial services only is not adequate to describe financial inclusion.According to Kochhar et al. (2009), financial inclusion can be defined as the delivery of credit and other financial services at an affordable cost to the vast sections of the disadvantaged and low income groups. The various financial services include savings, credit, insurance and payments and remittance facilities. Kochhar et al. (2009)described further, that financial inclusion is not only the process of ensuring access to financial services or making available timely and adequate credit when needed by vulnerable groups, such as weaker sections and low income groups, at an affordable cost. Definition of financial inclusion is much wider. It is not only providing accessibility of the entire range of financial products and services, it must also be appropriate, it must also be fair and it must be transparent.

Inline with Kochhar et al. (2009), World Bank (2014) defined financial inclusion as the proportion of individuals and firms that use financial services. It has a multitude of dimensions, reflecting the variety of possible financial services, from payments and savings accounts to credit, insurance, pensions, and securities markets.Shirin (2016) explains further that financial inclusion is not only the process of ensuring access to financial services, it must also be appropriate. Access has to be fair, transparent and cost effective and through mainstream institutional players. Only higher access to deposit accounts, higher number of branches and greater number of ATMs cannot ensure greater access to finance.

In Indonesia, the National Strategy for Financial Inclusion, defined financial inclusion as the right of every individual to have access to a full range of quality financial services in a timely, convenient, informed manner and at affordable cost in full respect of his/her personal dignity. Financial services are provided to all segments of the society, with a particular attention to low-income poor, productive poor, migrant workers and people living in remote areas.

Many people around the world live outside the formal financial system. According to the 2014 World Bank Global Financial Inclusion (Global Findex) database, about 2 billion (38%) of working-age adults do not have an account at formal financial institutions. Among the 62% of adults who reported having an account, account penetration also varies significantly between high-income and developing countries. Though account penetration is nearly 89% in high-income economies, it is only 41% in developing economies.

Base on Global Findex data base (2014), percentage (%) of all adults in Indonesia that have account is only 36.1, while in East Asia & Pacific is 69 and in Lower Midle Income countries is 42.7. This suggests that the percentage number of all adults in Indonesia that have account is much lower than other countries in East Asia & Pacific and in Lower Midle Income countries.

If the financial inclusion could reduce the poverty while 38% of working-age adults in the world do not have an account at formal financial institution (63.9% in Indonesia), then there will be many agendas and strategies to reduce the poverty using financial inclusion in the world (and also in Indonesia). In international forums, the Alliance for Financial Inclusion (AFI) was formed in 2008 to convene banking authorities in the developing world for cross-learning on financial inclusion. In 2009 the G20 began making commitments to financial inclusion at the highest policy levels, subsequently establishing the Global Partnership for Financial Inclusion (GPFI). In Indonesia, June 2012, the Bank Indonesia (The Indonesia central bank) cooperated

with the Vice President's Secretariat - National Team of Poverty Alleviation Acceleration (TNP2K) and Fiscal Policy Agency of Ministry of Finance – to issue a National Strategy for financial inclusion. These and other efforts support the many ambitious financial inclusion strategies arising at the national level across the globe. This paper describes financial inclusion in Indonesia and the strategy to reduce the poverty using financial inclusion.This paper is organized as follows. Section 2 provides literature review about financial inclusion and poverty. Section 3 describes national strategy for financial inclusion.Section 4 provides thepoverty growth. Section 5provides correlation between financial inclusion and poverty. Section 6 concludes.

1. LITERATURE REVIEW

Many models in development economics shows that financial inclusion may alleviate the poverty. But, how the financial inclusion works as poverty reduction? According to Voica (2017), when poor and vulnerable people have easy access to affordable financial service the seeds for sustainable growth are in place. Also by ensuring the same opportunities to access a functional financial system to all, allows a quicker integration of socially excluded people to reach economic integration. Financial inclusion represents the process of providing access to financial products to the entire population of a country. If a financial system is inclusive it allows an efficient repartition of resources which leads to a reduction of the cost of capital.

Aguera (2015) explains the importance of financial inclusion. Financial inclusion can be a key driver of economic growth and poverty alleviation, as access to finance can boost job creation, reduce vulnerability to shocks and increase investments in human capital. Without inclusive financial systems, individuals and firms need to rely on their own limited resources to meet their financial needs and pursue promising growth opportunities. From a policy perspective, greater financial inclusion also holds the promise of potentially making other policies more effective and efficient. Especially in developing countries, United Nations (2006) explain that access to a well-functioning financial system can economically and socially empower individuals, in particular poor people, allowing them to better integrate into the economy of their countries, actively contribute to their development and protect themselves against economic shocks.

Empirically, Park and Mercado (2018)examine the significance of financial inclusion in reducing poverty rates, along with various indicators in Asia developing countries. When financial inclusion increases, poverty rates should decline as more people have access to financial services to smooth their consumption and engage in productive activities. The result shows that there is a negative relationship between poverty rates and financial inclusion. And they find that financial inclusion significantly reduces poverty, and there is also evidence that it lowers income inequality.

The inclusion contribution to poverty reduction is not only in financial, but also in economic growth. Growth is necessary but not sufficient for the poverty eradication. Inclusive growth can be a solution for poverty removal. There is a general consensus among economists that financial development spurs economic growth (Sharma et al., 2011).

Sharma et al. (2011) show in their study that inclusive growth is necessary for sustainable development and equitable distribution of wealth and prosperity. The success of poverty

Vol. 2, No. 03; 2018

ISSN: 2456-7760

alleviation programmes can be achieved in real sense, when common man is also a part of growth. King and Levine (2008) present cross-country evidence show that the financial system can promote economic growth, using data on 80 countries over the 1960-1989 period. The predetermined component of financial development is robustly correlated with future rates of economic growth, physical capital accumulation, and economic efficiency improvements. This suggests that financial development correlated with economic growth and inclusive growth can be a solution for poverty removal.

While some concepts and empirical evidences support the argument that financial inclusion reduces poverty, Naime andGaysset (2017) show that financial inclusion has no effects on poverty. They were using Generalized Method of Moments (GMM) and Generalized Least Squares (GLS) econometric models and a large sample of eight MENA countries over the period 2002–2015, assesses empirically the impact of financial inclusion on income inequality, poverty, and financial stability. The empirical results show that while financial inclusion decreases income inequality, population size and inflation are found to increase income inequality. Other empirical results show that financial inclusion has no effects on poverty, whereas population, inflation, and trade openness are all found to significantly increase poverty. Those suggest that there is still inconsistency results in financial inclusion and poverty research. Some empirical research supported the concepts and arguments that financial inclusion alleviate poverty while the other didn’t.

2.1. Financial Inclusion Measurement

The first section of this part provides some definisions of financial inclusion and the rest is financial inclusion dimensions. Financial inclusion can be defined as the delivery of credit and other financial services at an affordable cost to the vast sections of the disadvantaged and low income groups (Kochhar et al.,2009). Financial inclusion is not only providing accessibility of the entire range of financial products and services, it must also be appropriate, it must also be fair and it must be transparent. Well functioning financial system then the one of the requirement of financial inclusion that could provide financial services to the all entities including the low income groups.

Access to a well-functioning financial system can economically and socially empower individuals, in particular poor people, allowing them to better integrate into the economy of their countries, actively contribute to their development and protect themselves against economic shocks (United Nations, 2006). United Nations (2006) guides that such services should be part of national development strategies for the following reasons: (1) First, the financial sector facilitates payments between different parties and makes them safer than cash transactions, both in the sense of documenting proof of payment and protection from theft. This is essential for most enterprise-to-enterprise transactions, and it is valuable for households. (2) Second, the financial sector facilitates a special category of payments, namely the transfer of funds from entities with a surplus to those willing and able to pay for filling a shortage of funds. In this regard, the financial sector allocates resources, facilitates the intermediation of savings into investment, and allows households to smooth consumption over time.(3) Third, the financial sector provides safe savings facilities and a range of risk/return tradeoffs for savers. In so doing,

it mobilizes savings into a formalized system. It helps households accumulate financial assets, which can provide a cushion against untoward events ("shocks"), and provides resources to respond to economic opportunities. (4) Fourth, the financial sector provides additional means beyond privately accumulated savings to help absorb shocks through insurance and credit.

If the the financial systems are well fuctioning, then there will be supports to the financial inclusion. How to measure the financial inclusion then? According to the Alliance for Financial Inclusion, dimensions of financial inclusion to be measured consist offour indicators as follows: (1) Access: ability to use available financial services and products from formal institutions; (2). Usage: regularity, frequency and duration of use over time; (3). Quality: the relevance of the financial service or product to the lifestyle need of the consumers, quality encompasses the experience of the consumers, demonstrated in attitudes and opinions towards those products that are currently available to them; and (4) Welfare: impact that a financial device or service has had on the lives of consumers, including changes in consumption, business activity, and wellness.

2.2. Financial Services

The 2015 World Bank Global Financial Inclusion (Global Findex) database report that only 36.1% of all adults have account in Indonesia. This number is much lower than East Asia & Pacific countries (69%) and lower than Lower Middle Income countries (42.7%). The East Asia & Pasific countries in World Bank's survey are Cambodia, China, Indonesia, Lao People's Democratic Republic, Malaysia, Mongolia, Myanmar, Philippines, Thailand, and Vietnam. Table 2 shows the percentage number of adults that have account in Indonesia base on Global Findex (World Bank, 2015).The percentage number of adults living in rural areas (28.7%)is lower than all adults in Indonesia (36.1%).

The percentage number of financial institution account by all adults (35.9%) is lower than all account (36.1%). This seems that not all account are in financial institution account. Only 25.9% of adults that have debit card to access the financial institution account. This number is increasing from year 2011 (10.5%). This suggests that more adults use debit card to access the financial institution account.

Most adults use ATM as the main mode of withdrawal. Seventy point nine percent (70.9%) that have account mention that ATM is the main mode of withdrawal. This number is increasing from the year 2011 (51.1%). Most banks in Indonesia charge cash withdrawal in Bank that less than certain amount, thats the reason why they prefer ATM when withdraw less amount of money. The Indonesia's higher data than East Asia & Pacific countries is only the usage of ATM as the main mode of withdrawal. This suggests that Indonesia needs some strategies to improve the financial inclusion.

Table 2. Adults that have account in Indonesia

	Indonesia Data	East Asia &Pacific	Lower Middle Income

Account (% age 15+)			
All adults	36.1	69	42.7
Adults living in rural areas	28.7	64.5	40
Financial Institution Account (% age 15+)			
All adults	35.9	68.8	41.8
All adults, 2011	19.6	55.1	28.7
Access to Financial Institution Account (% age 15+)			
has debit card	25.9	42.9	21.2
has debit card, 2011	10.5	34.7	10.1
ATM is the main mode of withdrawal (% with an account)	70.9	53.3	42.4
ATM is the main mode of withdrawal (% with an account), 2011	51.1	37	28.1

Source: World Bank (2015)

The activities of saving and credit were described in table 3. Most adults in Indonesia saved any money in past years (69.3%), this number is a bit lower than East Asia & Pacific countries (71%) but much higher than lower middle income countries (45.6%). The percentage saving in financial institution is only 26.6%, this number is higher than 2011 (15.3%). This suggests that the saving outside the financial institution is higher than at finanial institution, one of them is saved using a saving club or person outside the family (25.2%). The kind od saving that were surveyed are saved for old age (27.1%), saved for a farm or business (22.6%) and saved for education or school fees (33.3%).

In credit activities, adults that borrowed any money in the past year in Indonesia is 56.6%. This number is higher than East Asia & Pacific countries (41.2%) and higher than lower midde income countries (33.1%). Most of borrowing in Indonesia are from family or friends (41.5%) and 13.1% borrowed from a financial institution. The usage of borrowing are for a farm or business (11.7%) and for education or school fee (12.2%).

Table 3. Saving and Credit

	Indonesia Data	East Asia &Pacific	Lower Middle Income
Savings in the past Year (% age 15+)			
Saved at a financial institution	26.6	36.5	14.8
Saved at a financial institution, 2011	15.3	28.5	11.1
Saved using a savings club or person outside the family	25.2	6	12.4
Saved any money	69.3	71	45.6
Saved for old age	27.1	36.5	12.6
Saved for a farm or business	22.6	21.3	11.8
Saved for education or school fees	33.3	30.7	20

Vol. 2, No. 03; 2018

ISSN: 2456-7760

Credit in the Past year (% age 15+)			
Borrowed from a financialinstitution	13.1	11	7.5
Borrowed from a financialinstitution, 2011	8.5	8.6	7.3
Borrowed from family or friends	41.5	28.3	33.1
Borrowed from a private informal lender	2.5	2.5	8.5
Borrowed any money	56.6	41.2	47.4
Borrowed for a farm or business	11.7	8.3	9.2
Borrowed for education or school fees	12.2	7.1	10.1
Outstanding mortgage at a financial institution	5.5	8	4.7

Source: World Bank (2015)

3. NATIONAL STRATEGY FOR FINANCIAL INCLUSION

Indonesia plays an active role in financial inclusion discussions in international fora (Bank Indonesia, 2014). As a member of G-20, Indonesia ensures that The nine G-20 Principles for Innovation Financial Inclusion are implemented at national level.In Alliance for Financial Inclusion (AFI), Indonesia is committed to Maya Declaration aiming to support development, innovation, and implementation of financial inclusion program and plays an active role as a member of AFI steering committee.

3.1. National Financial Inclusion Framework

The definition of financial inclusion by National Strategy for Financial Inclusion as mention in previous part is the right of every individual to have access to a full range of quality financial services in a timely, convenient, informed manner and at affordable cost in full respect of his/her personal dignity. Table 2 and table 3 informed that less adults in Indonesia have access to financial institution and also less saving and borrowing at financial institution. These suggest that not every individual have access to a full range of quality financial services, then increasing access to financial institution is a necessity.

The National Strategy for Financial Inclusion developed general framework of financial inclusion (Bank Indonesia, 2014) that was built on the following six pillars: (1) Pillar 1: Financial Education, (2) Pillar 2:Public Financial Facility, (3) Pillar 3: Mapping of Financial Information, (4) Pillar 4: Supporting Policies/Regulations, (5) Pillar 5: Intermediary Facilities and Distribution Channels and (6) Pillar 6: Consumer Protection.The Pillar 5 is regarding the intermediary facilities and distribution channels. It aims to increase the awareness of financial institutions on the existence of potential segments in the community and expand the outreach of financial institution services by using alternative distribution channels.

Most of services in financial institution show the increasing number in 2012-2017, as in table 4. Number of ATM machine per 100 thousand Adults, number of ATM machine per 1,000 km^2, number of office bank, number of ATM mechine are incresing in all of the years. Number of office bank per 100 thousand adults, number of office bank per 1,000 km^2 are increasing, but not in all of the years. The services of financial institution and the number of credit account show the same pattern. As services of financial institutional increase, the number of credit accounts are

increase also. The number of account of total credit and the number of account of total Micro Small Medium Entreprises (MSMEs) credit are incresing during 2012-2017. This suggests that the increasing number of financial institution services increase the number of credit account.

Bank Indonesia as a central bank in Indonesia, has committed to significantly expanding access to finance for Indonesia's unbanked population through the development and implementation of breakthrough initiatives, under the framework of Indonesia's national financial inclusion strategy (Bank Indonesia, 2014). The key initiatives of Bank Indonesia include : (1) Rolling out of a financial identity project with the aim of to provide financial identity number for unbanked individuals who are currently barred from accessing financial services due to lack of formal identification, (2) Further develop and implement nationwide comprehensive financial education programs, ranging from deployment of a national financial literacy survey to expansion of financial education curriculum and campaigns, collaborating with large variety of educational institutions and other stakeholders, (3) Substantially increase access to and culture of savings by further expanding and promoting Indonesia's basic, no-frills savings account "Tabunganku"; and (4) Create an enabling environment to encourage sustainable growth of branchless banking in Indonesia through the formulation of smart regulatory framework.

Table 4. Services of Financial Institution

COMPONENTS	2012	2013	2014	2015	2016	2017
Number of Office Bank per 100 thousand Adults	14	15	15	16	16	16
Number of ATM Machine per 100 thousand Adults	36	42	50	53	55	56
Number of Office Bank per 1000 km^2	13	14	14.59	15.12	16	16
Number of ATM Machine per 1000 km^2	33	40	47	52	54	56
Number of Account Third Party Funds per 1.000 Adults	708	863	904	952	1,057	1,565
Number of Account Credit per 1.000 Adults	223	217	221	222	222	222
Number of Office Bank	25,011	26,586	27,926	28,935	30,035	30,256
Number of ATM Machine	63,075	76,136	90,678	99,286	103,419	106,653
Number of Account of Total Credit	39.44	38.97	40.41	41.15	41.86	42.51
Number of Account of Total MSMEs Credit	7.93	9.46	10.98	11.93	13.64	14.03

Source: Indonesia Statistic Center Bureau

3.2. The role of Bank Indonesia

Bank Indonesia (Bank Indonesia, 2014), supports the implementation of National Strategy for Financial Inclusion through the following roles: (1) Coordinating financial inclusion

Vol. 2, No. 03; 2018

ISSN: 2456-7760

activities with the relevant ministries/institutions. Coordinate with the relevant ministries/institutions in planning and implementation of financial inclusion programs. (2) Mapping of regional potentials as the basis for setting programs and priorities of financial inclusion activities. Mapping of regional potentials are made to among others economic sector, program beneficiaries parties, and the relevant stakeholders. (3) Setting programs and priorities of financial inclusion activities. Programs and priorities of financial inclusion activities will be set after coordination with the relevant ministries/institutions. Such programs and priorities are set according to the result of regional potential mapping by Bank Indonesia. In order to simplify the implementation, guideline for financial inclusion program implementation will be formulated. (4) Become a focal point of certain activities under the authority of Bank Indonesia for implementation of National Strategy for Financial Inclusion. Bank Indonesia is a focal point focusing on education, consumer protection, regulation and supervision in payment system; financial planning education; arrangement and mapping of information system of financial inclusion; and SME financial access development. (5) Disseminatting financial inclusion program. Disseminate financial inclusion activity program, primarily to the Regional Offices of Bank Indonesia and the relevant stakeholders. (6) Building cooperation with the relevant stakeholders outside of Bank Indonesia. To expand financial inclusion development, it is necessary to make cooperation with various institutions at national, regional, and international levels. (7) Implementing financial inclusion activities. Implement financial inclusion activities relevant to the tasks and authority of Bank Indonesia. (8) Evaluating financial inclusion activity program. Together with the relevant ministries, evaluate financial inclusion development for improvement and development of future activities.

4. THE POVERTY GROWTH

Some arguments explain that financial inclusion plays dominant role in poverty alleviation (Voica, 2017; Aguera, 2015; United Nations, 2006), while some empirical research support the arguments that financial inclucion alleviate poverty (Park and Mercado, 2018; Sharma et al., 2011; and King and Levine, 2008). Table 4 in previous section shows that there are increasing number in financial institution services and also in credit accounts. The following question needs to answer is whether the incresing number in financial institution services and credit accounts is followed by decreasing number of poverty?

Table 5 shows the poverty growth in Indonesia 2012-2017 per semester. The poverty growth in urban, rural and total show the decreasing number (negative sign) in almost all of the semester. The increasing growth are only in 2013 semester 2 and 2015 semester 1, while in urban area increasing growth number also happend in 2016 semester 2 and 2017 semester 1. The average growth in urban, rural, and total are -0.30%, -1.11% and -0.81% respectively.

Table 5. The Poverty Growth

		Number of Poor People in Thousand	Poverty Growth

Vol. 2, No. 03; 2018

ISSN: 2456-7760

Year	Semester	Urban	Rural	Total	Urban	Rural	Total
2012	1	10,647.2	18,485.2	29,132.4			
	2	10,507.8	18,086.9	28,594.6	-1.31%	-2.15%	-1.85%
2013	1	10,325.6	17,741.1	28,066.6	-1.73%	-1.91%	-1.85%
	2	10,634.5	17,919.5	28,553.9	2.99%	1.01%	1.74%
2014	1	10,507.2	17,772.8	28,280.0	-1.20%	-0.82%	-0.96%
	2	10,356.7	17,371.1	27,727.8	-1.43%	-2.26%	-1.95%
2015	1	10,652.6	17,940.2	28,592.8	2.86%	3.28%	3.12%
	2	10,619.9	17,893.7	28,513.6	-0.31%	-0.26%	-0.28%
2016	1	10,339.8	17,665.6	28,005.4	-2.64%	-1.27%	-1.78%
	2	10,485.6	17,278.7	27,764.3	1.41%	-2.19%	-0.86%
2017	1	10,673.8	17,097.4	27,771.2	1.79%	-1.05%	0.02%
	2	10,272.6	16,310.4	26,583.0	-3.76%	-4.60%	-4.28%
Average					-0.30%	-1.11%	-0.81%

5. CORRELATION BETWEEN FINANCIAL INCLUSION AND POVERTY

This section describes the correlation between the financial inclusion indicators and poverty. Since some arguments and empirical evidences explain that financial inclusion plays dominant role in poverty alleviation, while the data in Indonesia show that there is an increasing number in financial inclusion indiators and decreasing number in poverty, then it could be interesting to correlate between those two variables.

Table 6 shows the correlation between the financial inclusion indicators and the number of poor people. Eight (8) indicators out of 10 indicators found negative correlations significantly.The financial inclusion indicators and the number of poor people that significantly correlate are number of ATM machine per 100 thousand adults, number of officebank per 1,000 km^2, number of ATM machine per 1,000 km^2,number of accountthirdparty funds per 1,000 adults, number of officebank, number of ATM machine, number of account of totalcredit andnumber of account of total MSMEs credit. While the other two indicators that have no correlations are Number of Office Bank per 100 thousand Adults and Number of Account Credit per 1,000 Adults. This suggests that the higher the financial inclusion the lower the poverty.The negative correlation also suggests that thegeneral framework of financial inclusion developed byThe National Strategy for Financial Inclusion, especially Pillar 2: Public Financial Facility and Pillar 5: Intermediary Facilities and Distribution Channels reduce the poverty that was proxied by the number of poor people.

Table 6. Correlations between Financial Inclusion indicators and number of poor people

Financial Inclusion Indicator		Number of Poor People in Thousand

Vol. 2, No. 03; 2018

ISSN: 2456-7760

Number of Office Bank per 100 thousand Adults	Pearson Correlation	-.629
	Sig. (2-tailed)	.181
Number of ATM Machine per 100 thousand Adults	Pearson Correlation	-.738*
	Sig. (2-tailed)	.094
Number of Office Bank per 1,000 km^2	Pearson Correlation	-.792*
	Sig. (2-tailed)	.060
Number of ATM Machine per 1,000 km^2	Pearson Correlation	-.748*
	Sig. (2-tailed)	.087
Number of Account Third Party Funds per 1,000 Adults	Pearson Correlation	-.918***
	Sig. (2-tailed)	.010
Number of Account Credit per 1,000 Adults	Pearson Correlation	-.005
	Sig. (2-tailed)	.993
Number of Office Bank	Pearson Correlation	-.779*
	Sig. (2-tailed)	.068
Number of ATM Machine	Pearson Correlation	-.746*
	Sig. (2-tailed)	.088
Number of Account of Total Credit	Pearson Correlation	-.744*
	Sig. (2-tailed)	.090
Number of Account of Total MSMEs Credit	Pearson Correlation	-.812**
	Sig. (2-tailed)	.050

***, **, * Correlation is significant at the 0.01 level, 0.05 level and 0.10 level (2-tailed) respectively

6. CONCLUSION

This paper describes financial inclusion in Indonesia and the strategy to reduce the poverty using financial inclusion. Many models in development economics shows that financial inclusion may alleviate the poverty.Financial inclusion can be a key driver of economic growth and poverty alleviation, as access to finance can boost job creation, reduce vulnerability to shocks and increase investments in human capital. Without inclusive financial systems,

individuals and firms need to rely on their own limited resources to meet their financial needs and pursue promising growth opportunities.

In June 2012, BI cooperated with the Vice President's Secretariat - National Team of Poverty Alleviation Acceleration (TNP2K) and Fiscal Policy Agency of Ministry of Finance – to issue a National Strategy for financial inclusion.In the National Strategy for financial inclusion, financial inclusion is elaborated to 6 pillars, namely financial education, public financial facility, mapping of financial information, supporting policy/regulation, intermediary and distribution facility, and consumer protection. There is an increasing number of services in financial institution and number of credit account as well in 2012-2017. While there are increasing number in financial services and credit account, there is a decreasing number in poverty in the same period. These suggest that increasing of financial inclusion accompanied by decreasing in poverty, the higher the financial inclusion the lower the poverty. This argument supported by negative correlations between financial inclusion indicators and poverty.

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Vol. 2, No. 03; 2018

ISSN: 2456-7760

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