

THE FINANCIAL INCLUSION OF ISLAMIC BANKING FOR LOW-INCOME COMMUNITIES: CASE STUDY IN WEST SUMATERA

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ABSTRACT

This study aims to analyze the prospects and perspectives of low-income people in West Sumatra on financial inclusion in Islamic banking. Also, this study analyzes various factors that determine Islamic banking's financial inclusion and assesses the level of public expectations of the financial inclusion of Islamic banks in West Sumatra. This study applies descriptive quantitative research with primary data. Statistical tools such as Mann-Whitney Rank Sum U-test, Kruskal Wallis test, weighted arithmetical mean, chi-square test, and one-way ANOVA are used to reach the research's objectives. As a result, gender, age, marital status, monthly income, type of work, and status in the household are not significantly related to the level of customer expectations of financial inclusion. However, there is a significant relationship between the level of education and type of bank with the level of customer expectations of financial inclusion. The study results illustrate that low-income people in West Sumatra are familiar with Islamic banking, but many of them have not chosen to have an account in Islamic banking. The fatwa of the Council of Ulama Indonesia (MUI) and the Islamic banking system are not fully understood by the people of West Sumatra, the majority of whom are Muslims. A bank account selection is based on ease of reach and location. However, the public's view of Islamic banks is very high, as can be seen from people's expectations that Islamic banks provide a high sense of justice and comfort.

INTRODUCTION

In recent years, the banking sector has undergone tremendous changes in technology advances, internet banking, online money transfers, and more. However, access to such technology is limited to certain segments of society. Indeed, some trends, such as technology, and increasingly sophisticated customer segmentation, have led to limited access to financial services for some groups (International Finance Corporation, 2016). There is a growing difference between the high and middle-income segments of the population who have an increase in personal finance options with some people who lack access to even the most basic banking services. The

phenomenon is called financial exclusion. These people, especially those with low incomes, can not access key financial products such as bank accounts, credit, remittances and payment services, financial consulting services, insurance facilities, and others (Bank Indonesia & LPPM STEI Tazkia, 2017).

Indonesia is a country with a high level of financial exclusion. This is evident from several surveys and research results conducted by several national and international institutions. Among them, the Lembaga Demografi Faculty of Economic and Business Universitas Indonesia (LD-FEUI) survey in five provinces stated that 35% of respondents have bank accounts. As many as 32% of the Indonesian adult population have not saved, and 48% of them save in informal financial institutions. The survey results indicate that many Indonesians remain untouched by inclusive finance. Although conventional and Islamic banks can provide quality and prompt service, the community is not affected by it, especially the poor. The poor and small micro-businesses think it is for other community groups and assume that banking is luxurious. It is also due to some difficult procedures for obtaining banking services, so these people do not have complete knowledge of banking services.

Álvarez-Gamboa et al. (2021) emphasized that financial inclusion contributes to poverty alleviation and the creation of greater economic opportunities for residents in the provinces of Ecuador and is part of the agenda for the sustainable development goals (SDGs). Access to financial products and services facilitates the daily life of families and enables planning for long-term goals. Erlando et al. (2020) analyzed the contribution of financial inclusion to economic growth, poverty alleviation, and income inequality in Eastern Indonesia. Neaime and Gaysset's (2018) research in eight MENA countries showed that financial inclusion reduces inequality but has no significant effect on poverty.

From a policy perspective, the empirical results of Amponsah et al. (2021) showed that informality and financial inclusion are very important to increasing inclusivity. In particular, although increasing the informal economy limits inclusivity and exacerbates poverty reduction, increasing paid informal work contributes to inclusive growth. Gutiérrez-Romero and Ahamed's (2021) research showed that financial inclusion, particularly financial outreach, is a key driver of poverty reduction. This effect is indirect by reducing inequality's detrimental effect on poverty. These findings are consistent across all the different poverty measures used and are robust for the instrumental variables. Financial inclusion will not reduce wealth inequality if the poor are offered inferior financial services. Financial inclusion with supervision and removing structural barriers in the small business sector will strengthen the owned middle class in developing countries (Fintel & Orthofer, 2020). Meanwhile, Sawadogo and Semedo (2021) found that financial inclusion reduces inequality in countries with more democratic institutions. Financial inclusion through Islamic pawnshops or *ar-rah*n financing facilities improves individual welfare, resulting in micro-balance and

enhancing the financial and socioeconomic development of clients in Malaysia (Razak & Asutay, 2022).

Financial inclusion is a process to ensure access to timely and adequate financial and credit services needed by vulnerable groups such as weaker and lower-income groups at affordable costs. In countries with large rural populations, such as Indonesia, financial exclusion comes from geographical and social dimensions. The geographical dimension is exposed through the inability to access, distance, and lack of proper infrastructure.

Chibba (2009) noted that inclusive finance offers a complete solution and addresses poverty by promoting inclusive development and addressing the millennium development goals (MDGs). Findings and analysis of key field research points resulted in four key pillars needed to strengthen financial inclusion and FI-PR-MDG relationships: private sector development, financial literacy, microfinance, and public sector support. The overall strategy for inclusive finance, especially among the poor and disadvantaged segments, must include ways to realize improvements in lending mechanisms and the evolution of new models to expand the reach and use of technology, which is a solution to facilitate large-scale inclusion. Christabell and Vimal (2012) stated that only two to five percent of the 500 million poorest households in the world have access to institutional credit. Microfinance Institutions (MFIs) are essential in facilitating inclusion, as they are uniquely positioned to reach the rural poor.

Financial inclusion in Indonesia was launched in 2010 to expand public access to financial services. Bank Indonesia opted for a comprehensive way by drafting a jointly developed the National Strategy of Inclusive Finance Program (SNKI) between Bank Indonesia, the vice-presidential office (National Team for the Acceleration of Poverty Reduction/TNP2K), and the Ministry of Finance. The SNKI is outlined in six pillars: financial education, public finance facility, financial information mapping, supporting policies/regulations, intermediation and distribution facilities, and consumer protection.

If we look at the year 2010, there were 161 Islamic banks. However, compared to the previous year, there was a reduction in the number of Islamic business units (UUS) from 25 to 23, with 184 offices spread throughout Indonesia. As of September 2011, there are eleven Islamic commercial banks (BUS), 23 Islamic business units (UUS), and 154 Islamic rural banks (BPRS). The number increases with increasing public awareness to use non-interest financial products.

In December 2013, Indonesia had 11 BUS, 23 UUS, and 16 BPRS. Data from Bank Indonesia in March 2017 showed 474 offices of BUS, 150 UUS, and 101 BPRS offices. This information is concrete evidence that Islamic banking can survive and grow despite economic instability, such as 1998, 2008, and the European crisis last year. The development of this quantity has spread from the center to the area so that it can be

reached by all levels of society. The existence of Islamic banking as an important part of a formal financial institution in this country is expected to implement financial inclusion.

West Sumatra is part of the territory of Indonesia, in which most of the population is Muslim and has a customary tradition that prioritizes the values of togetherness with the principle of mutual cooperation with the same weight and carries the same weight. The traditional culture of Minangkabau, a basic philosophy of *adat basandi syarak, syarak basandi kitabullah* (the custom based on provision, provision based on *kitabullah*), is a reflection of the attitude of life that the principles of religion are the primary guideline in people's life. Based on the philosophy and values owned by the West Sumatra community, it is estimated that the Islamic banking system can grow well in West Sumatra.

Islamic banks' development in West Sumatra can be seen in its establishment. Based on the Indonesian Financial Services Authority or *Otoritas Jasa Keuangan* (OJK), until March 2017, ten branches and 32 auxiliary bank branches have stood in West Sumatra. It may be because West Sumatra is dominated by a Muslim society and has its uniqueness in the consumption behavior of a product. As well as choosing an Islamic bank, the Muslim community in West Sumatra will be influenced by some of the preference factors, such as religious factors. The structures and perceptions of the people of West Sumatra that have been built with the majority of the religious community may have various perceptions that affect the implementation of inclusive Islamic banking finance today. However, in reality, although the society is dominantly Muslim, not many still know and use Islamic banks until now. So, the study aims to analyze the perspective of low-income people on financial inclusion in Islamic banking in West Sumatra.

LITERATURE REVIEW

Basically, inclusive financial policy is a form of financial service deepening aimed at communities at the bottom of the pyramid to utilize formal financial products and services such as money-saving, transfer, saving or lending, and insurance. It is done not only to provide products appropriately but to combine various aspects (BI, 2017).

In the National Strategy for Inclusive Finance, Bank Indonesia defines inclusive finance as the right of every person to have full and timely access to and full service from financial institutions with full respect for his dignity and prestige. Financial services are available to all segments of society, with special attention to the poor, the productive poor, migrant workers, and people in remote areas. In the OJK regulation in 2016, it is explained that financial inclusion is the availability of access for the community to utilize financial products and services in financial services institutions per the needs and capabilities of the community to achieve prosperity.

Ozili (2020) stated that financial inclusion is the ease of access to and availability of financial services for all. Financial inclusion means that individuals and

businesses can access useful and affordable financial products and services that meet their needs responsibly and sustainably. This collection of principles or propositions is called a theory.

Islamic Banking

Islamic banking theory is based on the concept that interest is strictly prohibited in Islam. Islamic banking is a financial system whose main purpose is to fulfill the teachings of the Quran. Islamic law reflects God's commandments and these laws govern all aspects of a Muslim's life. Therefore, Islamic finance directly involves spiritual values and social justice (Farahani & Dastan, 2013).

In its activities, Islamic banking is a bank that, in the collecting funds and the framework of the channeling of funds, provides and imposes the rewards based on Islamic principles of sale, purchase, and profit-sharing. Islamic banks do not use interest to obtain income nor charge interest on using funds and loans because interest is usury, which is forbidden in Islam. Operational activities undertaken by Islamic banks use the principle of profit-sharing (profit and loss sharing).

The existence of Islamic banking has been recognized in normative juridical law number 10 of 1988 concerning banking. The decree of the Board of Managing Directors of Bank Indonesia concerning Commercial Banks and People's Credit Banks (BPR) in 1999 must be completed by the general bank and BPR based on Islamic principles. Triandaru and Budisantoro (2006) said banking laws could encourage the growth and development of institutions in Indonesia.

Previous Study and Hypothesis

Researchers have reviewed some literature related to inclusive finance research; one is Álvarez-Gamboa et al. (2021). The results showed that financial inclusion positively and significantly affected poverty alleviation. This study also showed the spatial heterogeneity of multidimensional poverty and financial inclusion and provincial level planning to address regional inequality.

On the other hand, Erlando et al. (2020), the bivariate causality model results showed a high relationship between financial inclusion, economic growth, poverty, and income distribution in Eastern Indonesia. Socioeconomic growth positively impacts levels of financial inclusion, with a negative impact on poverty. Meanwhile, financial inclusion positively affects inequality, which leads to widespread income inequality in Eastern Indonesia.

Despite significant growth in profitability and efficiency, Neaime and Gaysset (2018) pointed out that the well-developed MENA banking system does not appear to be able to reach a broad segment of the population, especially the poor. The responsibility of policymakers in the region is to create effective opportunities for financial inclusion, poverty reduction, and income inequality. Empirical results show

that informality and financial inclusion are very important to increase inclusivity to achieve improvements in reducing poverty (Amponsah et al., 2021). Gutiérrez-Romero and Ahamed's (2021) research revealed that financial inclusion does not directly reduce poverty. However, it greatly reduces the detrimental effect that inequality has on poverty. In other words, unlike recent cross-country studies, the research shows that financial inclusion is a key element in reducing extreme forms of poverty in low- and lower-middle-income countries.

Razak and Asutay's (2022) study concluded that *ar-rahn* helps voluntarily cope with financial failure in the face of social failure, which then contributes to the lives of clients in their daily lives who may have small non-liquid assets kept for security purposes. As a policy recommendation, this study suggests that policymakers and *ar-rahn* institutions should play a proactive role in increasing the outreach of *ar-rahn* services and providing the necessary regulatory environment, as they also contribute to women's empowerment.

Mahadeva (2008) pointed out that inclusive finance, in any economy, is a prerequisite for achieving industry growth and overall development. On the demand side, lack of awareness, illiteracy, unemployment, low-income status, social exclusion from people, and others are some of the key hurdles for inclusive finance. Some possible alternative steps in the future will be to re-evaluate the credit needs of lower-class communities, maintain good relationships between financial institutions and rural populations, build strong links between financial institutions and rural-based institutions, create inclusive financial funds under the bank government for rural development (NABARD) and started a special motivation training for the workforce.

Research conducted by Sharma and Tuli (2012) showed that inclusive finance becomes 'growing roots' in Indian banking by providing economic services and banking and financial convenience for the poor and economically weak. Reputable government institutions such as government banks also play a dominant role in the successful implementation of financial inclusion systems. Meanwhile, Mukherjee and Chakraborty (2012) observed that every bank, whether in the public or private sector, should report their achievement on inclusive finance to the Central Bank of India as a legal requirement. Bank auditors who are rarely found to make comments on job matters undertaken by banks in promoting financial inclusion should have procedures for the valuation of commercial banks not only based on their achievement in the process of promoting inclusive finance in the country.

Raman (2012) highlighted that inclusive finance plays a major role in promoting poverty reduction in a country. Financial inclusion refers to the benefits of banking services to the public, including the less fortunate, with affordable terms and conditions. The results obtained are increasing the financial intensity in the agricultural sector as a whole and helping increase rural nonfarm activities that lead to the development of rural economies and improve the people's economic conditions. Inclusive finance plays a major role in driving poverty out of the country. All Indians

will have bank accounts in India, and everyone will participate in inclusive finance. In fact, Faruk and Noman (2013) stressed that the bank should be motivated to establish branches in remote rural areas and provide credit with low-interest rates and for the poor without operational costs. Bank of Bangladesh may reduce the regulation related to establishing new branches, allowing financial institutions to provide micro-insurance services and expand the horizon of NGOs and Micro Finance Institutions (MFIs). Financial inclusion will ensure financial equity for all communities, including poor and disadvantaged groups, to be served.

Meanwhile, Kumar et al. (2012) revealed that the government in India should include financial literacy in the curriculum of schools and colleges. The government should also raise funds for financial inclusion and inclusion of financial technology funds to achieve banking services to regions without bank accounts. The government must pay all social security payments through the beneficiary bank account. ATM is one of the most effective ways to reach the rural poor. So new biometric ATMs must be set up to help customers who cannot memorize their PIN. Banks must accept complaints by compensating machines for immediate repair of the system.

The research by Murimuthu et al. (2015) concentrated on analyzing rural community perceptions of inclusive finance. People in rural areas have moderate knowledge about banking and other financial services. The highest number of Indians live in rural areas; therefore, inclusive development in rural areas will make this country superpower. From this viewpoint, this research helps banks and policymakers. This study is also the basis for future research. Nengsih (2015) emphasized that the results of comparative analysis between financial statements and ratio analysis indicate that the performance and financial condition of Islamic banking are good. This fact makes Islamic banking can be the front guard implementation of financial inclusion in Indonesia. Implementation of financial inclusion through Islamic banking will also be supported by Islamic banking products that operate based on Islamic principles and carry out the social mission. Hu et al. (2021) found that financial inclusion is a significant driver of productivity growth, and the effect shows geographic heterogeneity. The effect of financial inclusion on total factor productivity growth occurs due to lending to support the transformation of production based on specialization and cooperation.

Bhuvana and Vasantha (2016) stated that the government has taken several steps to promote inclusive finance. Innovative channel delivery is said to be an inclusive, government-developed financial driver to help rural communities gain access to financial services on a timely basis. Bank officials should cultivate rural communities about financial services and products to maintain their access to formal financial institutions. Demirguc-Kunt et al. (2014), in their research, stated that Muslims are more likely to have an official account than non-Muslims. With the existence of

redistributive instruments in Islamic economics, such as zakat, *infaq*, and sadaqah, Muslims have great potential to carry out financial inclusion.

Hence, the hypothesis in this study: there is no significant relationship between socioeconomic status factors, such as gender, age, marital status, literacy, education level, monthly income, occupation, and type of bank respondents with the level of importance of Islamic bank products/services.

RESEARCH METHODS

This research is a quantitative descriptive study that aims to describe and explain certain conditions of the object of a study, namely the financial inclusion of Islamic banks for low-income people in West Sumatra. This research is survey research with primary data collected through the distribution of questionnaires to the people in West Sumatra as respondents. The research locations are in cities in West Sumatra, and the majority are Muslims with a strong and unique culture and religion. The population of this study is the low-income population, amounting to 379,600 people based on the West Sumatra Central Bureau Statistics in 2019.

On the other hand, sample selection will be done randomly. In other words, everyone who has an income below 4 million rupiahs in West Sumatra has the same opportunity to be sampled. The sampling technique uses the slovin model (Sugiyono, 2019). This consideration is based on the homogeneity of the sample of the number of low-income residents in West Sumatra with the same characteristic tendencies. The number of samples in this study used a sample error rate of 5%, namely 149.6 or rounded up to 150 people. Hence, the data used in this study are primary, collecting public views on financial inclusion and perception of inclusive financial services in West Sumatra Islamic banking. In taking the sample, the researcher uses the purposive sampling method.

The data needed are 1) respondents' socioeconomic status, including gender, age, status, education, monthly income, type of work, and others; and 2) customer's opinion on the Islamic banks' financial services, including the respondents' concerns about financial inclusion of banks in general as well as by Islamic banks, respondents' sources of knowledge about financial inclusion, awareness of financial services, ownership of bank accounts, types of bank accounts owned, number of bank accounts owned, active account, number of inactive accounts, reasons for account inactivity, such as; religion, no money, different regions, no profits, loans, reasons for borrowing from banks, and others.

After collecting the data, it will be analyzed to obtain: 1) the level of importance in financial services, 2) the level of the importance of Islamic banking products and services, 3) the level of public expectations of financial inclusion in conventional banking and Islamic banking.

Data Analysis Technique

Descriptive analysis is used to know the frequency of each data variable and the response of each respondent. Descriptive analysis of cross tabulation data is used to know the relation of distribution of responsibilities between the data variable.

The researcher used statistical tools to analyze the data as follows:

1. Mann-Whitney Ranking Sum U-Test and Kruskal-Wallis Test

This test tests the homogeneity of interest in financial services by testing the hypothesis that there is no significant relationship between socioeconomic factors such as gender, marital status, age, education, income, and occupation, with the level of interest in financial services.

Therefore, to determine the rating of bank products/services, a weight is given to each respondent's answer, namely: two (2) points for Very Important, one (1) point for Quite Important, minus one (-1) period for Not Very Important, minus two (-2) points for Not Important at All, zero (0) points for Don not Know. Based on the weights, the weighted values are calculated using a weighted arithmetic mean, and a weighted ranking of the levels of importance of various bank products/services is obtained.

2. One Way ANOVA Test

It is used to test the homogeneity of the respondent's level of interest in various bank products/services. For this reason, the hypothesis is that there is no significant relationship between socioeconomic status factors such as gender, age, marital status, literacy, monthly income, occupation, and type of respondent's bank with the level of importance of Islamic bank products/services.

The level of expectations from the public towards financial inclusion will be obtained from several statements identified, and the researcher asks respondents to provide their opinions regarding their various statements regarding expectations of financial inclusion in Islamic banks.

3. Chi-Square Test

The chi-square or X^2 test is applied to study the effect of respondents' socioeconomic conditions on the overall opinion about banks in financial inclusion. This test is one of the simplest and most widely used non-parametric tests in statistical analysis. The quantity of X^2 describes the magnitude of the discrepancy between theory and observation.

To examine the relationship between socioeconomic variables such as gender, age, marital status, literacy, monthly income, and position of respondents and the level of expectations of low-income people towards financial inclusion, the following hypothesis is formulated: there is no significant relationship between socioeconomic

factors such as gender, age, marital status, literacy, type of family, monthly income, and position of respondents and the level of respondents' expectations of financial inclusion.

RESULT AND ANALYSIS

Characteristics of Socioeconomic Status of Respondents

The socioeconomic status characteristics of respondents that researchers have collected are presented in Table 1.

Table 1
Respondents' Characteristics of the Socioeconomic Status

No.	Profile Type	Percentage
Gender		
1	Man	58
2	Woman	42
	Total	100
Age		
1	< 30 years old	12
2	31-40 years old	15.3
3	41-50 years old	30.7
4	> 50 years old	42
	Total	100
Marital status		
1	Married	97.3
2	Single	2.7
	Total	100
Education		
1	< primary level	0.7
2	Primary level	4
3	Middle school	16.7
4	High school	59.3
5	University	19.3
	Total	100
Monthly income		
1	< 1 million rupiah	14
2	Rp1,000,000 – Rp2,000,000	35.3
3	Rp2,000,001 – Rp3,000,000	36.7
4	Rp3,000,001 – Rp4,000,000	15.3
	Total	100
Jobs		
1	Household	18.7
2	Farmers	8.7
3	Unskilled laborers	8.7
4	Traders/entrepreneurs	44
5	Private employees	10.7
6	Government employees	9.3
	Total	100
Status in household		
1	Head of household	64.7
2	Family members	35.4
	Total	100

Source: Data Primary

Based on Table 1, of the 150 respondents, 87 people (58%) are men, 63 people (42%) are women, and 146 people (97.3%) are married. Most of the respondent's education are high school graduates, namely 89 people (59.3%), and their income is mostly between Rp2,000,001 and Rp3,000,000, which is 36.7%—income less than Rp4,000,000 is a low income that is the object of this study. Sixty-six people (44%) of the respondents' occupations are traders/entrepreneurs. The status of most respondents is the head of the household, which is 97 people or 64.7%.

The results of this survey show that financial inclusion in the lower middle class in West Sumatra is almost equal among people of various types of work and gender. However, age is dominated by above 40, education is dominated by high school graduates, and the income side is dominated by over three million. These findings show that financial inclusion for the lower middle class is still not well inclusive. This finding is in line with the findings of Erlando et al. (2020), who found that financial inclusion in Eastern Indonesia is still low for savings and loans.

Respondents' Opinion on Banking Service

Respondents' opinions about banking services, in general, have been analyzed by researchers and presented in Table 2.

Table 2
Respondents' Opinion on Bank Service

No.	Profile Type	Number of Respondents	Percentage
Know about Financial Services/Banking			
1	Yes	149	99.3
2	No	1	0.7
	Total	150	100
The Source of Acquired Knowledge about Banking			
1	Banks' Website	1	0.7
2	Bank Worker	44	29.3
3	Seminars	1	0.7
4	Friends	104	69.3
	Total	150	100
Bank Account Ownership			
1	Have	144	96
2	No	6	4
	Total	150	100
Choice of Bank Account			
1	Conventional government bank	61	36
2	Government Islamic Bank	41	24
3	Conventional regional government banks	34	20
4	Islamic regional government bank	7	4
5	Private bank	15	10
6	Islamic private bank	11	6
	Total	169	100
The number of bank accounts held by the household			

1	No account	1	0.7
2	One account	45	30
3	Two accounts	73	48.7
4	Three accounts	24	16
5	Four accounts	6	4
6	Five accounts	1	0.7
	Total	150	100
Number of active accounts			
1	One account	54	36
2	Two accounts	79	52.7
3	Three accounts	12	8
4	Four accounts	4	2.7
	Total	150	100
The reason for the inactive account			
1	No money/little money	12	40
2	Many fees are charged	2	6,7
3	Long process	-	-
4	The bank location is far	-	-
5	Open account, yet declined	-	-
6	No benefits	16	53
	Total	30	100
Bank Loan			
1	Have	68	45.4
2	Not have	82	54.3
	Total	150	100
The reason for bank loans			
1	Low interest rate	17	25
2	Offered by the bank	11	16
3	Convenience	28	41
4	Sharing/sharia results	12	18
	Total	68	100

Source: Data Primary

Table 2 explains that almost all respondents are familiar with banking services and the concept of financial inclusion. Most knowledge about banking services is obtained through friends, followed by banking employees. There are 99.3% who have familiar with banking services, and those with no account were 0.7%. The ownership of the selected account dominates in the conventional government bank, which has 61 accounts. Fifty-nine respondents choose Islamic banking, although some respondents have more than one account. Knowledge of banking services is not good enough in one household where only 20% of respondents have more than two accounts in the family.

Meanwhile, active accounts in each family are dominated by two accounts, as many as 52.7%. The respondents express that the account is inactive because it has no benefit to them. Quite a lot of respondents use loan services in banks (45.4%) because the ease of procedure offered by the bank is the most chosen reason for the respondents.

This research reveals that financial inclusion in West Sumatra has reached 93%. Most people in West Sumatra know about finance through bank employees and know what services are included in financial inclusion; only a small proportion have two accounts. Also, some do not have a bank account because they only have a little

money. Despite having two active accounts and living in different areas, either in the conventional or Islamic banks, the majority do not borrow from banks. The reason is the convenience provided by banks, followed by low-interest rates.

Financial inclusion of Islamic banks to people who have the basic principle of *basandi sarak, sarak basandi kitabullah* is not good. It is revealed from the research that only 30% of respondents have an account with an Islamic bank. The Council of Ulama Indonesia (MUI) fatwa stated that interest is usury, which is why the majority choose an account at an Islamic bank. However, some respondents with an Islamic bank account do not understand the MUI fatwa. Most Islamic bank account owners do not care about the products offered by Islamic banks. The most important thing for them is that profit-sharing provides a sense of fairness, transparency, and convenience for all people.

Respondent's Opinion on Islamic Banking Services

The respondent's opinion about the services and inclusion of Islamic banking finance is analyzed and presented in table 3.

Table 3
Respondents' Opinion on Islamic Banking

Indicators	Respondents' Opinion	
	Yes	No
If you have an Islamic bank account, the reason is that the MUI fatwa states interest is usury	40 (62.5%)	24 (37.5%)
Do you know about Islamic bank products and mechanisms?	59 (39.9%)	91 (60.1%)
The advantages offered, such as saving with revenue share, gives a fair and transparent feeling	130 (86.6%)	20 (13.4%)
Islamic banks provide comfort	116 (77.3%)	34 (22.7%)

Source: Primary Data

Table 3 shows that the understanding of public financial inclusion of Islamic banks is quite good. However, of 64 respondents who have Islamic bank accounts, only 40 respondents understand and choose Islamic banks because MUI conveyed that interest is usury. 39.9% of respondents know the products and mechanisms of Islamic banks. However, most respondents state that Islamic banks provide a sense of fairness and transparency. Likewise, 77.3% indicated that Islamic banks offer comfort. Although the community's perspective on Islamic banking is good enough, ownership and selection of Islamic bank accounts are still very low. This finding is in line with Razak and Asutay (2022), where Islamic finance contributes more to the social life of the lower middle class.

Financial Inclusion of Islamic Banking for Low-Income Communities

This study analyzes the community's perspective on the financial inclusion activities of Islamic banks through the following analysis:

1. Analysis of the level of importance in financial services

The importance of financial services for the community is one way to measure financial inclusion in the bank. Data and information have been collected by researchers and analyzed as in Table 4 below:

Table 4
Distribution of Respondents on the Importance of Financial Services

Indicators	Very Important	enough	Not know	Not Important	Very not
Save some money	92	53	0	5	0
Get a loan with reasonable interest/ profit sharing	73	66	0	4	7
Get advice on managing debt	21	79	19	13	18
Get information about financial issues	22	68	32	8	20
Profit in welfare	54	78	14	2	2

Source: Primary Data

In Table 4, it can be concluded that the respondents stated the importance of financial services. Saving some money and improving well-being are the most important indicators felt by respondents concerning banking. These results are also found in the research of Álvarez-Gamboa et al. (2021); Chibba (2009); Erlando et al. (2020), where financial inclusion is positively related to poverty alleviation.

Table 5
Assessment of Importance in Financial Services

Indicators	Total Score	Highest Score	Average	Results Achieved	Rating Level
Save some money	682	750	4.55	90.93	Very Good
Get a loan with reasonable interest/profit sharing	644	750	4.29	85.87	Good
Get advice on managing debt	522	750	3.48	69.60	Pretty good
Get information about financial issues	514	750	3.43	68.53	Good Enough
Profit in welfare	630	750	4.20	84.00	Good
Interest in financial services		Average		79.76	Good

Source: Primary Data

Table 5 illustrates the assessment of the public importance of financial services. The assessment of the highest importance of this financial inclusion is saving a certain amount of money, while the lowest assessment is obtaining information about financial problems. However, on average, these results show that the importance of banking financial inclusion for low-income people is generally good. However, this

study also indicates that financial inclusion cannot fully reach the low-income community (Neaime & Gaysset, 2018).

Table 6
Mann Whitney and Kruskal-Wallis Test Results:
The Relationship between Socio-Economic Status and the Level of Interest in Financial Services

Profil	Sign Value Mann Whitney and Kruskal-Wallis	Hypothesis	Result
Gender	0.725	Accepted	Not significant
Marital status	0.349	Accepted	Not significant
Status in the household	0.986	Accepted	Not significant
Age	0.957	Accepted	Not significant
Education	0.000	Rejected	Significant
Income	0.005	Rejected	Significant
Work	0.014	Rejected	Significant

Source: Primary Data

It was concluded that there is no significant relationship between gender, marital status, household status, and age on interest in financial services. However, there is a significant relationship between monthly income, education level, and occupation with the level of interest in financial services. The bank service with the highest achievement is a bank account, and the second rank is a loan or financing provided by a bank.

The Mann-Whitney and Kruskal-Wallis test results also show no significant average difference between gender, marital status, status in the family, and age of respondents with the level of interest in financial services. Table 6 also shows that the higher the education and income of the respondents, the more they use financial services, and the more important banking financial services are to them. This type of work also has a significant relationship with the importance of financial services. The more formal the type of work, the more important financial services are to the respondent.

2. Analysis of the importance of Islamic banking products and services

The importance of bank products is also a form of measuring banks' financial inclusion in the community. The distribution of respondent data is analyzed in Table 7 below:

Table 7
Distribution of Respondents by Importance of Islamic Bank Products and Services (%)

Bank Products and Services	Very important	Fairly important	Do not know	Not important	Very unimportant
Islamic bank account	68	29	13	13	0
Bank loans	47	44	13	0	8
Credit card	2	21	15	24	37
Financial and investment counseling	19	6	22	42	1

Source: Primary Data

Table 7 shows the distribution of respondents based on the level of importance to the products/services of banks in general. The public expectation of the bank account and loan/financing reveals that most respondents thought these products are essential. Even the ownership of Islamic bank accounts is considered necessary by 100% of respondents, and financing is deemed required by 96.7% of respondents who choose Islamic banks. The result shows that financial inclusion for West Sumatra people is good enough. Meanwhile, credit cards have not been felt necessary for the community. Not many banks provide financial and investment counseling, so most respondents stated not important.

Tabel 8
The Importance of Bank Products and Services

Level of importance	Total score	Highest Score	Average	Results achieved	Rating Level
Bank account	696	750	4.64	92.80	Very Good
Bank loans	647	750	4.31	86.27	Good
credit card	335	750	2.23	44.67	Not Good
Financial and investment counseling	425	750	2.83	56.67	Good Enough
Interest in financial services		Average		70.10	Good Enough

Source: Primary Data

Table 8 describes the assessment of public interest in bank products and services. The highest valuation in this financial inclusion is bank account ownership, then loans. This shows that account ownership is very important in financial management. The lowest rating is bank services in the form of credit cards, which the respondents declare unimportant. Even those who choose Islamic banks say it is very bad for the importance of this credit card. However, the results show that financial inclusion in banking products and services is considered adequate. To test the homogeneity of the respondent's level of interest in various bank products/services, the one-way ANOVA test is used.

Table 9
One Way ANOVA Test Results:
The Relationship of Socio-Economic Status and the Level of Interest in Bank Products and Services

Profil	One Way ANOVA Test Value	Hypothesis	Result
Gender	0.526	Accepted	Not Significant
Marital status	0.408	Accepted	Not Significant
Status in the household	0.645	Accepted	Not Significant
Age	0.045	Rejected	Significant
Education	0.061	Accepted	Not Significant
Income	0.030	Rejected	Significant
Work	0.045	Rejected	Significant
Account options	0.082	Accepted	Not Significant

Source: Primary Data

Table 9 shows that there is no significant average difference between gender, marital status, household status, education, and the type of bank selected by respondents with the level of importance to bank products. This means that regardless of gender, married or unmarried, family head or member, respondent's education level, and the type of bank chosen, conventional or Islamic bank, it is not related to the level of interest in bank products or services. Meanwhile, the level of age, monthly income, and the respondents' occupation type show a significant relationship with the level of importance of bank products or services. The higher the age and income of the respondents, the more they recognize the importance of bank products or services. Meanwhile, the more formal the type of work, the more important the bank's products or services are for the respondent.

3. Analysis of public expectations of financial inclusion in conventional banking and Islamic banking

One of the challenges Islamic banking faces is how to provide an understanding to the public about the existence of Islamic banking so that they can be selected for financial management. To assess the level of public expectations of financial inclusion, it seems necessary to understand the perspective on financial inclusion. In line with Gutiérrez-Romero and Ahamed's (2021) research, financial inclusion does not directly reduce poverty but can reduce the adverse effects of inequality on poverty. Therefore, the researcher asked respondents to give their opinion on various expectation statements. The following table shows the low-income people's expectations of financial inclusion.

Table 10
Distribution of Respondents According to the Expectation Level of the Community on Banking and Islamic Banking

Importance	Strongly Agree	Agree	Abstain	Dis-agree	Very not Agree
I am satisfied with the banks' services	35	98	7	10	0
Banks do an excellent job for public finance education	27	92	12	16	3
The government does a satisfactory job of financial inclusion	9	45	49	36	11
I am satisfied with the banks' products	23	87	29	9	2

Source: Primary Data

Table 10 shows the distribution of respondents based on the level of customer perspective on conventional banking and Islamic banking, not distinguishing between respondents who have accounts at conventional banks or Islamic banks. Public expectations of banking are generally quite good, meaning that the financial inclusion of banking for people with low incomes is good. Public satisfaction with the banks' services has reached 88.6%; only 11.4% stated that they are not satisfied. Banking has

helped the education of low-income people, agreed by 79.3% of respondents, and 20.7% said they do not agree. However, the government has been satisfactory in carrying out financial inclusion, and 64% of respondents disagree. Overall, 73.3% of respondents agree that banks are satisfactory in offering their products, and 26.6% of respondents stated that they are not satisfied.

Table 11
Level of Customer Expectation on Banking and Islamic Banking

Level of importance	Total Score	Highest Score	Average	Results Achieved	Rating Level
I am satisfied with the banks' services	608	750	4.05	81.07	Good
Banks do an excellent job for public finance education	571	750	3.81	76.13	Good
The government does a satisfactory job of financial inclusion	444	750	2.96	59.20	Good Enough
I am satisfied with the banks' products	568	750	3.79	75.73	Good
Expectations on banking and Islamic banking		Average		73.03	Good

Source: Primary Data

It is concluded that there is no significant relationship between gender, marital status, household status, education level, and type of respondent's bank with the importance of bank products/services. However, there is a significant relationship between the respondents' age, monthly income, and occupation with the level of importance of bank products/services.

Table 11 shows an assessment of respondents' expectations of banking. The highest expectation on this financial inclusion is towards banking services, which reaches 81.07%, then the second rank is the bank's assistance in financial education. The lowest rating is the government's role in financial inclusion. The community feels that the government has little role in financial socialization in the community. According to respondents, the community's knowledge is based on the community's willingness. However, on average, the results of public expectations of banking are good.

To examine the relationship between socioeconomic variables such as sex, age, marital status, monthly income, education, occupation type, bank type, and household status with customer expectation level of financial inclusion, the chi-square test (X^2) is used. The test is one of the simplest and most widely used non-parametric parameters to study the effect of the respondent's socioeconomic condition on the bank's overall opinion. The chi-square test is used to test the following hypothesis formulated: there is no significant relationship between socioeconomic factors such as sex, age, marital status, monthly income, education, type of work, type of bank, and status in a household with a level of financial inclusion.

Tabel 12
Chi-Square Test Results: Relationship of Socio-Economic Status With Consumer Expectation Level On
Banking and Islamic Banking

No.	Profil	Chi-Square Test Value	Hypothesis	Result
1.	Gender	0.757	Accepted	Not Significant
2.	Marital status	0.966	Accepted	Not Significant
3.	Status in the household	0.349	Accepted	Not Significant
4.	Age	0.871	Accepted	Not Significant
5.	Education	0.049	Rejected	Significant
6.	Income	0.189	Accepted	Not Significant
7.	Work	0.070	Accepted	Not Significant
8.	Account Options	0.082	Rejected	Significant

Source: Primary Data

Table 12 shows no significant relationship between gender, age, marital status, monthly income, type of work, and status in the household with the customer expectations of financial inclusion. This result means that the socioeconomic characteristics have the same response in assessing the expectations for financial inclusion. Meanwhile, the level of education and the type of bank has a significant relationship with customer expectations of financial inclusion. The result means that the higher the respondent's education level, the more agree with this assessment or expectation of financial inclusion. Likewise, with the type of bank chosen, the choice of bank is prioritized by state banks, both conventional and Islamic banks.

CONCLUSION

From all the tests performed on the general social factors of society, there is no significant relationship between the three dependent variables: the level of interest in financial services, the level of importance to products or banking services, and the level of public expectations for financial inclusion. However, monthly income, education, and occupation are significantly related to the interest in financial services. Age, income, and occupation are significantly related to the interest in bank products/services, while only education and type of bank are related to the public expectations of financial inclusion. The level of public expectations revealed in this study where respondents expressed satisfaction with the services provided by the bank. The community expectations are at a good level, but shortcomings are still expected to be achieved very well. Based on this study's results, the model can be used to describe the perspective of low-income people regarding financial inclusion.

This study revealed that the financial inclusion of Islamic banking has not been good because the Islamic bank account ownership has not touched many low-income communities in West Sumatra. For this reason, it is necessary to have a big role from the government and the Islamic banking sector to socialize and provide convenience both for services and the interests of Islamic banking products for low-income people.

This study concentrates on analyzing the perceptions of lower-middle-income people regarding financial inclusion. Low-income people have relatively good knowledge of banking and other financial services. Therefore, inclusive development in the regions will bring prosperity to the people. From this point of view, it is hoped that this research can help policymakers and form the basis for further financial inclusion research.

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