

# PINNING-UP OF HOUSEHOLD FINANCIAL BEHAVIOR TO SUPPORT FINANCIAL SYSTEM STABILITY IN INDONESIA (2015-2019)

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## Abstract

Financial behavior is how individuals or households actually behave in a determination of financial behavior. How individuals or households make decisions about their financial behavior. Financial system stability The financial system is one of the macro components that affects the stability of a country's economic financial system. This study is to see the effect of individual / household financial behavior on the stability of the financial system of 33 provinces in Indonesia during 2013 to 2019. The data for this research is secondary data collected from several sources, namely the Bank Indonesia Statistics Bulletin, the Central Agency Regional Economic Studies Bulletin. Statistics in various editions of the year of publication. The method used to analyze the data is the Panel Data Regression method using the Eviews 10 analysis tool. The purpose of this study is to determine the magnitude of the influence of financial behavior on the stability of the financial system in Indonesia. The variables in financial behavior are the dimensions of financial financial inclusion as measured by the access dimension, namely the ratio of the number of bank offices to 100,000 population in 33 provinces, the dimensions of use, namely the number of MSME loans to the total amount of credit in each province, savings and the percentage of poor people in 33 provinces in Indonesia. Financial system stability is measured from the GRDP growth rate in 33 provinces in Indonesia. The findings of this study are that access, use, savings, and poverty are able to explain the GRDP as seen from the R-Square value of 0.92, which means that all independent variables are able to explain the dependent variable while 8% is explained by variables outside the model. When people are able to access UMKM credit available at formal financial institutions, it will increase the GRDP, this can be seen from the MSME credit value increasing by 1%, the PDRB will increase by 0.02%. The relationship between the percentage of poor people and the GRDP also shows a significant relationship where if poverty is reduced by 1%, then GRDP will increase by 9.5%.

**Keywords:** savings, inflation, GRDP, credit, BI Rate

## 1. Introduction

Currently, economic development is not only aimed at improving the welfare of society but also aims at human beings with broad insight who have foresight. Not only focus on the development of physical facilities but also focus on mindset should also be increased, for example on financial management.

Knowledge about finance is growing due to increasing human needs which are increasingly complex related to one's ability of personal intelligence to be effective for the realization of social welfare related to globalization which we cannot avoid, such as in determining future decisions related to short-term decisions or long term indirectly. Financial literacy is something that should be a basic need for everyone individuals or society in managing finances, (Huston, 2010).

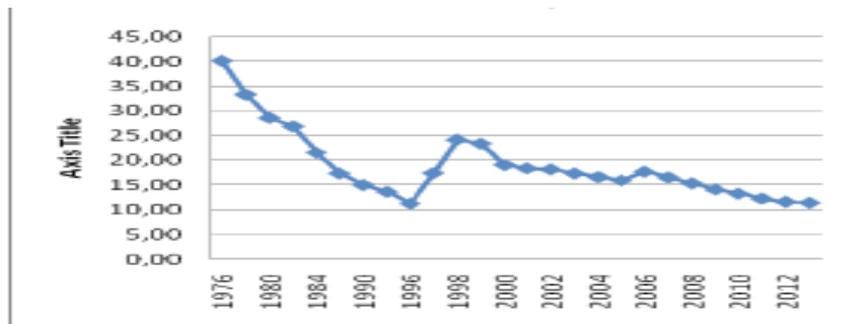
Sometimes people are faced with financial problems not only due to low income but also due to lack of knowledge about finance so that it will harm the individual. The implementation of education in order to improve public finances is very necessary where according to the Financial Services Authority that good literacy is financial literacy that is balanced with financial inclusion, (OJK, 2017). Price stability is a measure of the stability of a country's financial system, which means that there is no price. the more expensive ones that can harm society in this case are consumers and producers.

The impact of the global financial crisis that threatens the stability of the financial system in Indonesia has forced the Government of the Republic of Indonesia to pass a Law (UU) on Financial System Crisis Prevention and Management in 2016 (*Peraturan Presiden Republik Indonesia Nomor 82 Tahun 2016 Tentang Strategi Nasional Keuangan Inklusif*,

2016). The important thing is which is the most important indicator in measuring the stability of the financial system from the reality at hand. International financial system stability (SSK). There are several definitions regarding SSK that a stable financial system must be able to allocate sources of funds because a stable financial system is strong and resilient to various economic disturbances which are a combination of market failures from both structural and behavioral factors.

The identification of financial system instability is more of a forward looking one. This is because it will affect the financial system in the future, then an analysis is carried out to find out how far the risk of economic system instability is able to paralyze the economy (OJK, 2017). One of the goals of financial system stability is the welfare of society. It is hoped that the level of poverty, which is a parameter of the welfare of a society, will not increase. This can be achieved if all unemployment rates can also be lowered.

Table 1.1 Poverty Level of Indonesian Population



Sources: (BPS, 2016)

The data in table 1.1 shows that poverty in Indonesia is on a downward trend, although from 1996 to 1999 it has actually increased. After 2006 to 2012 poverty has shown a downward direction. As stated earlier, poverty is an indicator that society has not played a role as a subject in financial system stability.

To achieve financial system stability, people must have the capital and mentality to build the economy, one of which is by channeling MSME loans. With MSME credit distribution the goal is to absorb labor so that it can increase household income. Financial system stability in Indonesia is still dominated by banks with deepening financial inclusion which has become the national agenda with the National Strategy for Financial Inclusion (SNKI). In this study, household financial behavior will use the dimensions of access and usage dimensions.

The indicators used by Bank Indonesia to measure availability / access, use, quality and welfare are listed in table 1.2 below;

Table 1.2 Financial Inclusion Indicators Used by Bank of Indonesia

Dimension	Indicator	Information
Acces	Total access per 100,000 adult population at the national level and divided by type and administrative unit	- Access points: Place for cash in / cash out transactions (Bank, ATM, UPLK agents) - Type of access point - Administrative units: provinces and districts - The number of adults is the population of productive age.
	Percentage of number of administrative units that have at least 1 (one) access point	Administrative units: provinces and districts
	Percentage of the total population living in an administrative unit that has at least 1 (one) access point	Total population in provinces and districts

Dimension	Indicator	Information
	The number of access points per 10 m <sup>2</sup> , the Area (m <sup>2</sup> ) in question is the entire land area which is the administrative area of the province and district / city state.	Access points: a place to make cash in / cash out transactions (banks, ATMs, agents / UPLK)
Usage	Percentage of adult population who have at least one type of savings account (for countries without data this can use the number of savings accounts per 1,000 adult population)	- Number of savings accounts per 1,000 adult residents - Savings accounts: current accounts, savings, time deposits
	Percentage of population with at least one type of loan account (for countries without data this can use the number of loan accounts per 1,000 adult population)	Number of loan accounts per 1,000 adult residents
	Percentage of MSME credit / financing to total credit / financing in formal financial institutions.	MSME accounts in commercial banks and rural banks

Sources : (Bank Indonesia, 2014)

The access dimension uses an indicator of the number of bank offices per 100,000 population in each province in Indonesia, while the usage dimension uses an indicator of the number of MSME loans to total credit. Other variables used for financial behavior are public savings and the percentage of poor people. The GRDP of 33 provinces in Indonesia is used as a variable for financial system stability. This study will describe how the relationship between household financial behavior and financial system stability in Indonesia from 2013 to 2019.

Research purposes is maintaining price stability is the main thing in the macro economy in addition to several other things such as high economic growth, unemployment, low interest in saving from individuals in households, and others. Price stability is a reflection of price stability and Bank Indonesia as the monetary authority will always strive to maintain financial system stability by setting interest rates, the money supply, and economic turmoil such as inflation. Therefore the aim of this study is to analyze the effect of financial behavior on the stability of the financial system in Indonesia. The variables in financial behavior are the dimensions of financial financial inclusion as measured by the access dimension, namely the ratio of the number of bank offices per 100,000 population in each province, the usage dimensions, namely the number of MSME loans to the total amount of credit in each province, savings and the percentage of poor people in 33 provinces. in Indonesia, the financial stability system is measured from the GRDP in 33 provinces in Indonesia.

## 2. Literature Review

### 2.1 Financial System Stability

Lack of knowledge about financial system stability makes some people pay little attention to this. So what exactly is meant by financial system stability, and why is it so important. According to the definition of Bank Indonesia, financial system stability is a condition that enables the national financial system to function effectively and efficiently and is able to withstand internal and external vulnerabilities so that the allocation of funding or financing can contribute to financial growth and stability. financial system for the social economy. Financial institutions, financial markets, financial infrastructure, as well as non-financial companies and households, which interact with each other in funding and / or financing for economic growth are the financial system itself.

There are many factors that affect the stability of the financial system, starting from market conditions that are influenced by public behavior and structural factors that cause the financial system to become unstable. Sources that can trigger a market failure can come from various factors, both external and internal. And all of these things can pose risks to the financial system itself, such as increasing credit, liquidity, market to operational risks. So that it creates

the risk of increasing financial instability very easily. In addition, various innovations in financial products that are increasingly diverse and dynamic have also caused very complex problems.

In the national economy, financial system stability has a very important role. This is because in an economic chain, the financial system is responsible for channeling funds from excess or surplus parties to those who are deficient or deficient. For example, a bank, as a financial institution, has the goal of collecting funds from those in excess through financial products such as savings and deposits, and channeling it back to those who lack capital through loans or credit. And if this financial system becomes inefficient and functions unstable, the distribution of funds will not be able to run smoothly and the impact will be able to significantly inhibit the rate of economic growth on a broader scale, even triggering a crisis. And when this happens, it will require a longer effort with operational costs that are not small to be able to save this slumping financial condition.

At the policy level, Indonesia uses two (2) indicators for measuring financial system stability, namely microprudential and macroprudential. Microprudential indicators include: banking capital adequacy ratio, asset quality, sound financial system management, bank income and profits, liquidity aspects, sensitivity to market risk and several market-based indicators. Meanwhile, macroprudential indicators include: economic growth, balance of payment, inflation rate, interest rates and exchange rates, contagion effect or crisis contagious effect, and other factors. In this study, researchers focused more on macroprudential indicators where this indicator aims to prevent and reduce systematic risk, as well as promote a balanced and quality intermediary function and increase the efficiency of the financial system and access to finance. The meaning of financial system stability can be understood by conducting research on the factors that can cause financial system instability in the financial sector. Financial system instability can be triggered by various causes and turmoil. This is generally a combination of market failures, either due to structural or behavioral factors. Market failure itself can come from external (international) and internal (domestic). Risks that often accompany activities in the financial system include credit risk, liquidity risk, market risk and operational risk.

### **3. Methods**

#### **3.1 Research Variable**

In this study, using variable indicators to explain the effect of financial behavior on financial financial system stability. The variables used to explain financial behavior are the dimensions of access to financial inclusion, namely the number of bank offices to 10,000 residents, the dimensions of use, namely the number of MSME loans, savings, and the percentage of poor people in 33 provinces in Indonesia during the 2013-2019 research year. Meanwhile, the GRDP variable is used to explain the stability of the financial system in Indonesia (2013-2019). First, access is the ability to reach formal financial products, such as opening and using bank accounts, such as fees or affordability of formal financial institution services. Most of the world community, namely the poor who do not have access to financial services (financial services). The ability to use financial services and products available from formal institutions, focuses on the depth, regularity, frequency and duration of use of financial services from time to time, measured by the accessibility of the community, the indicator being the number of bank offices per 100,000 population. Studies conducted by the Asia Development Bank (ADB) in the Asia Pacific region show that there is still a lack of access to formal financial institutions. Another study sees that access to formal financial institutions can reduce instability in the financial system (Hannig & Jansen, 2010).

Second, financial behavior that is considered closely related to financial system stability is the amount of MSME credit. In lending, banks are influenced by internal and external factors (Marimon & Scott, 1999). Internal factors that influence lending include the ability of banks to raise funds, capital position (capital adequacy ratio, risk weighted assets, maximum credit limits), quality of productive assets and production factors available at the bank. Meanwhile, external factors are influenced, among others, by the prevailing monetary regulations, competition, socio-political situation, customer business characteristics, and interest rates. Due to the current economic crisis, many people are afraid and do not trust banking. People are reluctant to save for fear that their funds will not be returned. The economic growth of TPF (third party funds) decreased and caused credit disbursement to be hampered. In addition, another result of the economic crisis that occurred was the number of bad credit cases or bad credit which affected bank capital. The inability to repay the credit causes the NPL (Non Performing Loan) to increase. The role of bank credit in financing the national economy is the driving force for economic growth. Households consume better and firms can make sound investments with mutual credit. The average lending by banks to households and the private sector compared to total loans to the private sector which includes loans by banks, leasing companies, factoring, consumer financing and pawnshops from 1990 to 2013 is 85%. On the other hand, excessive credit growth could also threaten macroeconomic stability, particularly consumption credit. Consumption credit will trigger aggregate demand growth

above potential output which can result in an unstable economy, this will have an impact on increasing inflation (Cotarely & Dell, 2009).

Third, which affects the stability of the financial system is the concept of saving by individuals by setting aside a portion of income, reducing expenditure, or delaying consumption. The problem is that currently people's interest in saving is not that high. The Deposit Insurance Corporation (LPS) noted that there was a decrease in the number of people's savings on a monthly basis, even though these deposits increased the amount of savings as of January 2020 to reach 303.13 million accounts. Increase 0.48 percent (MoM / MoM). As of December 2019, the number of public accounts was 301.69 million accounts. Meanwhile, in terms of amount, total deposits in commercial banks decreased by 0.7 percent (MoM) from IDR 6,077 trillion in December 2019 to IDR 6,035 trillion last month (Elena, 2020).

Research on saving behavior has been conducted by several researchers, where saving behavior is often associated with financial literacy (Koch, Timothy, 2000); Ming Thung et al., 2012; Cude et al., 2006; Wahana 2014). Apart from financial literacy, saving behavior is also associated with social influences such as the role of parents and peers. This can be seen in the research of Cude et al. (2006), Furnham (1999), Lim, Sia, and Gan (2011), Ming Thung et al. (2012) and Otto (2009). Research by Cude et al. (2006) and Sabri and MacDonald (2013) found that a person's behavior in saving is influenced by financial problems or risks that someone has experienced. Several researchers included self-control variables as one of the factors that influence saving behavior, including research by Lim et al. (2011), Ming Thung et al. (2012) and Wahana (2014).

Fourth, poverty is not only an economic problem but also a social problem. Poverty is seen as an economic inability to meet basic needs. The factors causing poverty from an economic point of view include (1) due to inequality of resource ownership which results in income inequality, (2) due to differences in the quality of human resources, and (3) due to differences in access to capital (Baswir, 2004). From several analysis results, it is found that poverty affects the stability of the financial system in general and on the national banking system.

Fifth, financial system stability using GRDP of 33 provinces in Indonesia. By using GRDP as a consistent variable to measure the economic welfare of the population of a country. An indication if the GRDP has increased indicates that the people are better off, whereas if the GRDP has decreased it indicates poverty. The results of a study comparing middle-income countries with high levels of income inequality with low income countries with middle income inequality but with a per capita income economic growth rate which is the same, namely an average of 3% per year that the reduction in the poverty rate turns out to be faster in middle-income countries with high levels of income inequality than in low-income countries with moderate levels of income inequality (Bourguignon, 2004).

The GRDP growth variable increases profitability which in turn increases the stability of the financial system. This is because GRDP is associated with a general increase in the income of an economy (Kosmidou, 2008). Used in this study is constant GRDP to determine the ability of resources to drive real economic growth from year to year or GRDP that is not influenced by prices.

### 3.2 Research Data

The data used in this study were taken from secondary data obtained from various sources such as documents taken from the publication data of the Central Bureau of Statistics (BPS), data from the Financial Services Authority publications, and data from Bank Indonesia (BI) publications, both which researchers got directly from BPS and BI offices as well as data obtained by researchers from the BPS and BI websites. The type of data used in this research is panel data which is individual data at a time and provides observations for each individual. Panel data is a combination of time series data and cross section data (Gujarati, 2003).

The advantages of using panel data compared to time series data and cross section data are: a). Panel data estimates can show heterogeneity within each individual, b). With panel data, the data is more informative, more varied, reduces collinearity between variables, increases the degree of freedom, and is more efficient, c). Panel data studies are more satisfactory for determining dynamic changes than iterative studies of cross-sections, d). Panel data is more about detecting and measuring effects that simply cannot be measured by time series or cross-section data, e). Panel data helps studies to analyze more complex behavior, for example the phenomena of economies of scale and technological change, f). Panel data can minimize the bias generated by the aggregation of individuals or firms due to more data units (Hsiao, 1990).

The data used covers the period from 2013 to 2019 in Indonesia. The data consists of data on the number of bank offices per 100,000 population (access), data on the number of MSME loans to total credit (usage), data on savings, data on the percentage of poor people, and data on GRDP of 33 provinces in Indonesia. Methods of data collection using the library method that has been collected are then grouped and tabulated based on variables into three forms, namely: (1) for basic data; (2) for data processing; and (3) processed or analytical results presented in the report. The model specifications used are:

$$PDRB = \beta_0 + \beta_1 \text{access} + \beta_2 \text{usage} + \beta_3 \text{sav} + \beta_4 \text{pov} + \varepsilon \quad (1)$$

Where :

- PDRB : GRDP growth of each province in Indonesia
- aces : number of bank offices per 100,000 population in 33 provinces (%)
- usage : amount of MSME credit to total credit amount (%)
- sav : total savings in 33 provinces in Indonesia (billion IDR)
- pov : poor population (%)
- $\beta_0$  : Constant Value
- $\beta_1, \beta_2, \beta_3, \beta_4$  : regression coefficient
- $\varepsilon$  : error term

Table 3.1 Variable Operationalization

No.	Variable Name	Measurement	Symbol	Unit
1	Acces	Number of bank offices per 100,000 adult population	aces	Number of bank offices
2.	Usage	The amount of MSME credit against the total amount of credit	Usage	%
3	PDRB	GRDP growth at constant prices	PDRB	%
4	saving	The amount of savings in the bank	sav	Rp
5	poverty	Percentage of poor people	pov	%

source: processed

#### 4. Data Collection

The research object includes financial behavior and its relationship with the stability of the economic system in Indonesia in 2013-2019. In this study, financial behavior uses indicators of access and use of financial inclusion, savings, and the percentage of the number of poor people. Whereas the SSK uses the GRDP indicator.

The equations used in this study use simultaneous equations because they first identify each equation then estimate the parameters to determine the most appropriate model. After obtaining the most appropriate equation model, regression analysis was carried out wherein this study used panel data regression analysis to see the effect of each independent variable on the dependent variable. After the regression analysis is carried out, the classical assumption test is carried out which includes the multicollinearity test, heteroscedasticity test, and autocorrelation test to show that the relationship between variables does not have a problem with classical assumptions.

The data analysis technique used is quantitative analysis using panel data regression which aims to see the effect of financial behavior on financial system stability throughout 2013-2019 in 33 provinces in Indonesia. The nature of this research is verification, namely examining the relationship, linkage, and influence between independent variables on the dependent variable under study. In this regard, statistical and econometric tests were carried out to obtain conclusions.

This study uses an econometric model to see the trend of the relationship between financial behavior in relation to financial system stability from 2013 to 2019. Before regression, the Chow test and Hausman test were conducted to determine the most appropriate model to use. The models in this study are:

$$PDRB = f(\text{akses, usage, sav, pov}) \quad (2)$$

$$PDRB = \beta_0 + \beta_1 \text{aces} + \beta_2 \text{usage} + \beta_3 \text{sav} + \beta_4 \text{pov} + \varepsilon \quad (3)$$

Where:

- PDRB : GRDP growth of each province in Indonesia
- aces : number of bank offices per 100,000 population in 33 provinces (%)
- usage : amount of MSME credit to total credit amount (%)
- sav : total savings in 33 provinces in Indonesia (billion IDR)
- pov : poor population (%)
- $\beta_0$  : Constant Value
- $\beta_1, \beta_2, \beta_3, \beta_4$  : regression coefficient
- $\varepsilon$  : error term

Provincial data used in this study are 33 provinces sorted by serial number 1 to 33 which are presented in the following table:

Table 4.1 Provincial Serial Numbers

Number	Province Name
1	Aceh
2	Sumatera Utara
3	Sumatera Barat
4	Riau
5	Jambi
6	Sumatera Selatan
7	Bengkulu
8	Lampung
9	Kepulauan Bangka Belitung
10	Kepulauan Riau
11	DKI Jakarta
12	Jawa Barat
13	Jawa Tengah
14	DI Jogjakarta
15	Jawa Timur
16	Banten
17	Bali
18	Nusa Tenggara Barat
19	Nusa Tenggara Timur
20	Kalimantan Barat
21	Kalimantan Tengah
22	Kalimantan Selatan
23	Kalimantan Timur
24	Sulawesi Utara
25	Sulawesi Tengah
26	Sulawesi Selatan
27	Sulawesi Tenggara
28	Gorontalo
29	Sulawesi Barat
30	Maluku
31	Maluku Utara
32	Papua Barat
33	Papua

To find out the determinants of GRDP on access and use, savings, and poverty from 2013 to 2019. The study was conducted on 33 provinces in Indonesia with a total of 231 observations. The overall picture is presented in the following table:

Table 4.2 Descriptive Statistics

Variable	Obs	Mean	Std.Dev	Min	Max
PDRB	231	5.29	2.30	-15.7	15.5
Acess	231	0.07	0.26	0.01	1.59
Usage	231	0.27	0.06	0.10	0.43
Sav	231	10.62	1.37	7.96	14.9
pov	231	11.34	5.96	3.42	31.5

Source: Processed data

Table 4.2 illustrates the conditions of each variable where the average GRDP in the observation period is 5.29% with the lowest GRDP growth below 15.7% and the highest value is 15.5%. Before conducting panel data regression testing, first testing the model whether the appropriate model is the common effect, fixed effect, and random effect.

## 5. Results and Discussion

Tests conducted to get the best approach in panel data regression analysis are the Chow test and the Hausman test as in table 5.1 below:

Table 5.1 Model Selection Test Results

Test	Chi-Square Statistik	Chi Square. df	p- value
Chow	116.49	32	0,0000
Hausman	37347.77	4	0,0000

Source: Processed data

From table 5.1, it can be seen that both the Chow test and the Hausman test P-value are  $0.00 < 0.05$  so that  $H_0$  is rejected and the most appropriate model is the fixed effect model. Some of the assumptions that must be met should not deviate from the BLUE (Best, Linear, UnPure, and Estimator) assumptions, which means that the model used must escape the deviation of the assumption of serial correlation, normality, linearity, heterocedasticity, and multicollinearity.

Table 5.2 Normality Test Results

Test	P- Value
Jarque- Bera	0,080

Source: Processed data

A probability value of 0.08 is greater than 0.05, it can be concluded that the residuals are normally distributed (Table 5.2). The next step is to analyze the equations that have been created and the results are in table 5.3 below:

Table 5.3 Estimation Results

Variabel	Coefficient	t-Statistik
C	21.738	8.132***
access	0.068	0.262
usage	2.460	1.710**
pov	- 0.095	-2.156**
sav	-1.521	-6.258***
R-Squared	0,92	F-statistic 58.071
Adjusted R-Squared	0,90	Prob(F-statistic) 0,0000

Source: Processed data

Information: \*\*\* significant at  $\alpha = 0.01$ ; \*\* significant at  $\alpha = 0.05$ ; \* significant at  $\alpha = 0.1$

The results of the equation show that access, use, savings, and poverty are able to explain the GRDP as seen from the R-Square value of 0.92, which means that all independent variables are able to explain the dependent variable

while 8% is explained by variables outside the model. The access variable calculated based on the number of bank offices per 100,000 population has no effect on GRDP, meaning that even though people are able to access formal financial institutions, they are unlikely to use banking facilities such as savings. This is reinforced by the savings variable which, although it has an influence on GRDP, has the opposite direction.

When people are able to access UMKM credit available at formal financial institutions, it will increase PDRB, this can be seen from the MSME credit value increasing by 1%, the PDRB will increase by 0.02%. The relationship between the percentage of poor people and the GRDP also shows a significant relationship where if poverty is reduced by 1%, the GRDP will increase by 9.5%.

The econometric criteria consist of first whether there is a multicollinearity problem or not. To ensure that multicollinearity does not occur, a test will be carried out using the Correlation Matrix test.

Table 5.4 Residual Correlation Matrix

	ACCESS	POV	SAV	USAGE
ACCESS	1	0.139	-0.027	-0.065
POV	0.139	1	-0.261	0.494
SAV	-0.028	-0.261	1	-0.531
USAGE	-0.066	0.494	-0.5317	1

Source: Processed data

Table 5.4 shows that there is no relationship between variables or there is no multi-linearity where the correlation coefficient is not more than 1 and less than or equal to 0.8

## 6. Conclusion

Access, use, savings and poverty can explain GRDP as an indicator of financial system stability. GRDP growth increases profitability which in turn increases the stability of the financial system. This is because GRDP is associated with a general increase in the income of an economy. Of the four independent variables, only the access variable has no relationship with the increase in GRDP in 33 provinces in Indonesia. This is probably due to the fact that people access bank offices only to facilitate basic financial transactions instead of using the facility of having a bank account. The use of MSME credit and poverty reduction has a very significant effect on GRDP growth, while savings, although very influential, have not been able to increase GRDP growth in 33 provinces in Indonesia. The conclusion is that household financial behavior measured using the indicator number of bank offices per 100,000 population, the number of MSME loans to the total amount of credit in formal financial institutions, the amount of public savings, and the percentage of poor people have a significant relationship to financial system stability as measured by growth. GRDP of 33 provinces in Indonesia.

The National Strategy for Financial Inclusion (SNKI) is a strategy for increasing capability in managing finances starting from increasing understanding and knowledge and public awareness of financial products and services. This of course requires appropriate policy support by both the government and Bank Indonesia in order to increase public access and be able to use financial services.

The policies needed include a) policies to encourage the socialization of financial service products according to the needs of the community, b) formulate product schemes that are in accordance with the needs of the community, c) encourage changes in provisions while still paying attention to the principles of prudence proportionally, d) formulate regulations on distribution mechanisms aid funds through banking, e) strengthen the legal basis for improving consumer protection of financial services, and f) compile studies related to financial inclusion to determine policy direction in a sustainable manner. Community SNKI policies require a guaranteed sense of security in interacting with financial institutions in utilizing the financial products and services offered. A sense of security in accessing and using financial services through product transparency, easy handling of customer complaints, an institution that can act as a mediator between financial institutions and the public, and the public also hopes for more other financial education.

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