Originality Report

Similarity Found: 3%

Date: Monday, April 29, 2019
Statistics: 83 words Plagiarized / 3285 Total words
Remarks: Low Plagiarism Detected - Your Document needs Optional Improvement.

AN EMPIRICAL STUDY ON THE IMPLEMENTATION OF DIGITAL FINANCIAL SERVICE IN GORONTALO UTARA REGENCY, PROVINCE OF GORONTALO Dr. Hais Dama, SE,M.Si Hs_dama@yahoo.co.id Dr. Rio Monoarfa, SE,Ak, M.Si Department of Management, Faculty of Economics, Universitas Negeri Gorontalo ABSTRACT This research aims to examine and analyze society perception towards banking service and implementation of digital finance service (Inclusive Finance) for society in Regency of Gorontalo Utara, Gorontalo Province.

Main target of this research is a society in the unbanked category namely those who are out of banking service access either in doing the saving transaction, credit or other services. This is qualitative research focuses on how the implementation of digital finance service is as an effort of improving the welfare of society and assisting them in obtaining easiness in doing the transaction.

Research finding reveals that level of community's perception towards banking service in Regency of Gorontalo Utara which is measured by five variables/ components obtain a high level of appropriateness for 84,6% and the lowest is empathy for 80,7%. Yet, the entire society perception towards the banking service is quite good. 21% of society does not want to save their money in the bank due to its difficulty in the process, particularly when filling form, as well as completeness of document, becomes a requirement to save in the bank.

The other reasons are they do not fully trust towards the bank and the distance between their homes with the bank is quite far. The result of need analysis of agent of Digital Finance Service, particularly for Regency of Gorontalo Utara reveals that a number of unbanked adult society in the Regency is 86,402 people. This number means 37 agents of Digital Finance Service is needed which is based on the percentage of customer target for 11,180 people.

Keywords: Service Quality, Digital Financial Service (DFS) INTRODUCTION The advancement of technology in the payment system has been directly impactful on the currency role as a payment tool. It is shifted to a non-cash payment that is more economical and efficient. The non-cash payment is carried out by transferring money via Automatic Teller Machine (ATM) card, debit card, and credit card.

This kind of payment is safe and efficient, and can also accelerate the economic growth of the society. Banking services in the form of digital financial service are aimed for those living in a remote area out of banking service. Digital financial service as a banking innovation is intentionally presented to the community in remote areas that have not had any banking services.

It aims to facilitate the society making a transaction or on-cash transaction so that they can be well-developed. In addition, digital financial service has proven that geographic and regional conditions are not a barrier for rural communities to have banking access. In this case, they can use the facilities of financial services the bank provides.

Some people in remote areas with high and low income are not used to utilizing financial services due to the banking access unavailability. The implementation of digital financial service is by placing the agents that will be the bank operator in the remote areas. These areas already have the infrastructure, such as telecommunication network and information about the community as the economic drive wheel.

It is intended to facilitate them making a transaction. Digital financial service is a new banking program in serving community living in remote areas in order to improve the economic growth for their welfare. This study expects that the institution of digital finance can be applied as the part of an inclusive financial attempt, so that community, particularly those who live in remote areas, can still benefit banking services.

Further, the communities with lower-middle-income economies can also enhance their welfare by always using financial services or other banking facilities. Problem Statement The problems formulated in this study are as follows: What are the obstacles encountered by the bank in performing digital financial service to society? How does the bank increase society's interest to save money at the bank? What are the factors obstructing society's interest to save money at the bank? THEORETICAL FRAMEWORK

The Perception of Service Quality Service quality is one of the factors that determine the success of a company in marketing products/services to the customers to avoid them move to the other company.

Freddy Rangkuty (2002) defines perception as a process of selecting, organizing, and interpreting stimuli received by sense organs to become a meaning. Nevertheless, the meaning of such perception process is also influenced by the person's past experiences. Customers' perception of products or services, somehow, affects their level of interest, satisfaction, and value.

According to Tjiptono (2005), service quality profoundly influences the customers' satisfaction and loyalty, word-of-mouth communication, repeat purchase, market share, and profitability. After the customers evaluate the service quality provided by a company/organization and meet their expectation, it will satisfy them, and vice versa.

Those who are satisfied with services given by a company will make repeat purchases so that it will raise loyalty towards the products/services. Moreover, a study conducted by Parasuraman et al., (1988) classifies five main dimensions of service quality, including: Tangible: physical facilities, equipment, employees, and communication means.

Empathy: ease of establishing relationships, including individual's concern on the customers, having good communication, understanding customers' needs. Reliability: an ability to provide the expected services convincingly, accurately and consistently, and satisfactorily. Responsiveness: staff's desire to assist the customers and provide the services responsively.

Assurance: employees' knowledge, politeness, and ability in delivering assurance and trust. The Definition of Bank Bank according to Act Number 10 of 1998 is a corporate entity collecting funds from the public in the form of Deposits and channeling them to the public in the form of Crediting and/or other forms in order to improve the living standards of the society.

Other than that, Kasmir in his book Banking Management defines bank as "financial institutions whose main activities are collecting funds from the public and channeling them to the public as well as providing other services". Electronic Money Generally, electronic money is a payment instrument that replaces conventional money, can be used and distributed as currency, and is stored in a digital format on the computer or microchip on a card.

Bank for International Settlement (BIS) in one of its publications on October 1996 specifies electronic money as “Stored-value or prepaid products in which a record of the funds or value available to a consumer is stored on an electronic device in the consumer ’s possession”. Thomas J. Smedinghoff in his book “Online Law –The SPA’s Legal Guide to Doing Business on the Internet” states that electronic money represents the existence of money (physically) in the form of electronics in an electronic device.

The value of such money is claimed in the form of a group of numbers digitally issued by a bank or other institutions and can be stored through various devices. In article 1 Verse 3 of Bank Indonesia Regulation Number 16/ 8 /PBI/2014 and Bank Indonesia Regulation Number 11/12/PBI/2009 on Electronic Money, electronic money is a payment instrument which fulfills the following criteria: a.

It is issued on the basis of equal value of the money deposited by the customer to the issuer; b. The nominal value of the money is stored electronically in a device, such as a server or chip; c. It serves as a payment instrument for merchants which are not the issuer of the electronic money; and d.

The value of electronic money managed by the issuer is not categorized as deposits, as defined by Law on Banking. In article 1 verse 6 of Bank Indonesia Regulation, the issuer of electronic money is a bank or institution other than banks that issue electronic money. Inclusive Financial Service The inclusive financial policy is fundamentally a form of financial service deepening aimed at the community to utilize financial products and services, such as keeping, transferring, and saving money along with bank credit and insurance.

This is carried out by providing products appropriately and combined with various aspects. Several reasons cause the community to become unbanked, either from the side of supply (service providers) or demand (community). It is due to the price barrier (expensive), information barrier (do not know), product design barrier (suitable products), and channel barrier (suitable facilities).

Inclusive finance is able to respond to those reasons by giving benefits to the community, government, and private parties, among others: Enhancing economic efficiency. Supporting the stability of the financial system. Reducing shadow banking or irresponsible finance. Supporting financial market deepening. Providing a new banking market potential.

Supporting the increase of the Human Development Index in Indonesia Being contributed positively to sustainable local and national economic growth. Reducing inequality and rigidity of low-income trap in order to improve community welfare which ultimately led to a decrease in the poverty rate. The strategy of inclusive finance is not an isolated initiative.

Therefore, the involvement in inclusive finance is not only related to the role of Bank Indonesia, but also the regulators, ministry, and other institutions in financial service attempt to the society. Through the national strategy of inclusive finance, it is expected that the collaboration between government agencies and stakeholder is well-created.

Digital Financial Service A system of digital financial service is a new solution performed by Bank Indonesia along with commercial Banks to reduce the number of unbanked community. It signifies that the agents as the smallest unit of a bank can serve the community in the remote areas who do not receive any bank access to reduce the issue above.

Figure 2.1 Digital Financial Service Stages / Figure description: A payment and financial system service performed by cooperating with the third parties (agents), and by using mobile phone Phone Number Registration, Authentication, Transaction Agent Bank Debit/Credit Agent's Account Customer's e-money Account DFS Purchase Payment Transfer Deposit Withdrawal Using electronic money registered device Method of Study This qualitative study employed a qualitative descriptive analysis, and the data collected from the interview, Focus Group Discussion, and documentation.

This study focuses (1) identifying the obstacles encountered by the bank in performing digital financial service to community, (2) the bank efforts to increase community's interest to save money at the bank, (3) the factors obstructing community's interest to save money at the bank. Results of Study Based on the Tangible dimension towards banking services, 14.8% of the respondents indicate that the quality is in a very good category.

Conversely, 42.9%, 40.5%, and 1.6% of them imply that the quality is in a good, average, and poor category respectively. Meanwhile, their expectation about the availability of parking area and a comfortable waiting room at the banks in Gorontalo Province reaches a very good category (52,1%), a good category (45,5%), an average category (1.6%), and a poor category (0.82%).

The table reveals that the suitability level between the expectation and reality towards the availability of parking area and a comfortable waiting room arrives at 82.9%. The dimension of Empathy towards banks' concern about customers' complaint, 52.9% of the respondents perceive that they have received adequate attention. Compared to the previous expectation of the customers, they should have got a very good or a good concern of 46.2% and 47.9% in succession.

The customers have experienced this inequality in which the fact shows that the concern of the banks about their complaint is relatively low. This is evident by the level of suitability between the expectation and reality that only gets 79.6%. The Reliability dimension for the service efficiency and accuracy in opening a bank account arrives at a good category (46.2%) and an average category (48.7%).

Meanwhile, 51.2% of the respondents expect an efficient and accurate service, and 45.5% of them expect a very good one. The level of suitability between the expectation and reality achieves the percentage of 80%. This percentage is due to the respondents' reason that the service of opening a bank account sometimes takes a very long time and the number of forms that must be filled in. Another dimension is Responsibility in which the respondents' responses towards the level of time certainty of providing services are good (41.3%) and quite good (48.7%). However, compared to their expectation, it arrives at a very good category (48,7%) and a good category (46,2%).

On the whole, the level of suitability between the expectation and reality in terms of time certainty in providing services reaches the average level (79.8%). Based on the aspect of Assurance, 3.3%, 43.8%, and 52.1% of the respondents reveal that the customer services' knowledge level is in a very good, good, and average category respectively.

The respondents also have a very good (42.9%), good (50.4%), and adequate expectations (6.6%). Hence, the level of suitability between the expectation and reality in terms of the customer services' knowledge level gets the percentage of 80.1%. Figure 3.1 COMMUNITY'S PERCEPTION ON BANKING SERVICES / Data Source: Processed Data The level of community's perception on banking services in Gorontalo Province is measured by five variables. The above figure shows that the Tangible variable has a high suitability level (84.6%) and the Empathy variable gets the lowest one (80.7%).

Nevertheless, their perception on these services in the site area is quite good on the whole. Community's interest in saving money at the bank. This study was conducted due to the decreased interest of the community in saving their money. It is seen from the number of deposits at the bank on July - August 2014 that have been decreased.

Below are the results of the questionnaire regarding the community's reasons and obstacles in saving their money at the bank. Figure 3.2 Respondents Data / Data Source: Processed Data Figure 3.2 presents that 74 respondents are the bank customers, while 47 respondents are the opposite. Figure 3.3. Community's reason for unwilling to save money at the bank.

/ Data Source: Processed Data The data indicate that there is 21 percent of community unwilling to save their money at the bank due to the distant place as well strict procedures, particularly filling in the form and preparing documents that have become the primary requirements. Besides, they have less trust at the bank. Figure 3.4 Community's interest to save money at the bank. / Data Source: Processed Data Approximately 28 persons do not want to save their money at the bank.

Somehow, the rest still wants to do so with several conditions; efficient process and convenient procedures. Figure 3.5 The duration of being a customer / Data Source: processed data As many as 42 respondents and 22 respondents have become bank customers for about 2 – 4 years and more than four years respectively. The service that is mostly used at the bank is: Figure 3.6

Frequently used bank service / Data Source: processed data It is shown that 68% of the respondents use saving service, and the rest of them utilize other services. Uniquely, this study has discovered that only a few of the respondents (2%) have a bank credit. This implies that people are more interested in non-bank financial institutions credits, such as cooperatives and insurance due to the complex procedures and requirements requested by the bank. Figure 3.7 Community's motivation to save money at the bank.

/ Data Source: Processed Data In most cases, safety and Bank interest motivate people to save their money at the bank alongside the prize and bank location that is near their residence. The following figure shows the obstacles faced by society to save money at the bank: Figure 3.8 Community's difficulties to save money at the bank / Data Source: Processed Data It is identified that the biggest obstacles experienced by the customers are a long queue and slow services.

Other factors include community have not yet understood the way of doing deposit transactions and bank location that is relatively far away from their house. Additionally, bank employees should be more friendly, polite, and concerned with the customers as well as giving clear information. Figure 3.9 The service of bank employees towards the customers / Data Source: processed data Bank customers frequently do deposit transactions every month, as presented in the following figure. Figure 3.10 Deposit Frequency / From the results of this study, the needs of Digital Financial Service (DFI) based on the regencies and City in Gorontalo Province are shown in the table below.

Table 3.11 Calculation Analysis of Digital Financial Service Dimension No.

_Region _Adult _Unbanked Adult _Percentage of Targeted Costumers _Optimal Agents per 300 Customers _ _1 _Gorontalo Utara Regency _86.402 _55.902 _11.180 _37 _ _2 _Boalemo Regency _107.946 _69.841 _13.968 _47 _ _3 _Pohuwato Regency _102.057 _66.031 _13.206 _44 _ _4 _Gorontalo Regency _252.122 _163.123 _32.625 _109 _ _5 _Gorontalo City _146.642 _94.877 _18.975 _63 _ _Processed Data The data reveal that there are 86.402 unbanked adult persons who need 37 DFS agents.

This is based on the percentage of the targeted customers of 11.180 persons. CONCLUSION Digital Financial Service (DFS) is a payment and financial system service in cooperation with the third party (agents) by utilizing mobile-based or web-based technology. This service is intended to support the development of inclusive finance as well as fund distribution by the government effectively.

DFS agents are believed to be able to help people who have never been in contact with the bank. In addition to giving education/knowledge to the community, the agents can also provide necessary financial transactions, such as opening a bank account of electronic money, cash deposit, and cash withdrawal.

For the non-cash transaction, including transferring money to the phone number, purchasing mobile phone credit or electricity token, and the account owner can do it himself via mobile phone. Those transactions are safe since they require a Personal Identification Number (PIN) of the owner’s account. For this reason, banks have launched electronic cash product to facilitate the micropayment, in which the customers do not need to open a bank account with DFS because they can make the payment via cell phone.

SUGGESTION To enhance the level of customers’ loyalty, the banks must further improve the quality of their services by reducing the gap between expected services and services perceived by the customers. Therefore, the customers will remain loyal and do not move to other banks in doing financial transactions or utilizing other facilities.

The banks should provide an efficient and accurate service as expected. They also need to frequently conduct socialization to the customers, concerning the level of banks’ security and soundness, so that they will believe that their deposits are safe. In carrying out other financial transactions, the customers often use bank facilities in Gorontalo

Utara Regency.

References Bank Indonesia Regulation Number 5/25/PBI/2003 on Fit and Proper Test. Central Bureau of Statistics of Gorontalo Province, 2014, Kabupaten Dalam Angka [Regency in Number] Fandi Tjiptono, P.hd. Manajemen Perbankan, (2005) Kasmir , (2008) Manajemen Perbankan [Banking Management], Jakarta, PT Raja Grafindo Persada.

Khasnobis-Basudep Guha, George Mavratas, 2008, Financial Development, Institution, Growth, and Poverty Reduction, Palgrave MacMillan Radyati, Maria R. Nindita, Keuangan Inklusif Perbankan [Banking Inclusive Finance], Universitas Trisakti. (2012), Indonesia's Banking Statistics, 2014, Bank Indonesia Thomas J. Smedinghoff in his book entitled Online Law –The SPA's Legal Guide to Doing Business on the Internet http://www.kompasiana.com/yesisupartoyo/branchless-banking mewujudkan-keuangan-inklusif-sebagai-alternatif-solusi-inovatif-menanggulangi kemiskinan [realizing inclusive finance as innovative solution alternative in overcoming poverty]. Act Number 10 of 1998, on Banking, as a revision of Act Number 7 of 2002.

Fredy Rangkuti, Strategic Marketing Tools: Analysis of Segmentation & Targeting (Elex Media Komputindo, 2002) A. Parasuraman, Valarie A. Zeithaml, dan Leonard L. Berry. (1988) "SERVQUAL: A Multiple-Item Scale for Measuring Consumer Perceptions of Service Quality." In article 1 Verse 3 of Bank Indonesia Regulation Number 16/ 8 /PBI/2014 and Bank Indonesia Regulation Number 11/12/PBI/2009 on Electronic Money (called as PBI Uang Elektronik) Bank Indonesia Regulation Number 5/25/PBI/2003 on Fit and Proper Test.

<1% - https://www.bi.go.id/id/pencarian/Default.aspx?k=uang%20elektronik
<1% - http://scholarpublishing.org/index.php/ABR/article/download/4859/3034
<1% - https://guhrigut54.blogspot.com/
<1% - https://manchester.rl.talis.com/items/B02011FB-123A-DB50-B4DC-525FC07A8968.html

CERTIFICATE OF ORIGINALITY

To Whom It May Concern:

This is to certify that the following document has been checked for originality with premium plagiarism checker. The result is as follows:

Originality Report	
Document Title	An Empirical Study On The Implementation Of Digital Financial Service In Gorontalo Utara Regency, Province Of Gorontalo
Author(s)	Dr. Hais Dama, SE,M.Si Dr. Rio Monoarfa, SE,Ak, M.Si
Similarity Found	3%
Statistics	83 words Plagiarized / 3285 Total words
Remark(s)	Low Plagiarism Detected
Internet Sources	
1% - http://repository.ung.ac.id/get/simlit/1/1101/2/PERAN-GOOD-CORPORATE-GOVERNANCE-DALAM-CORPORATE-SOCIAL-RESPONSIBILITY-DISCLOSURE-PADA-PERUSAHAAN-BUMN-YANG-LISTING-DI-BURSA-EFEK-INDONESIA.pdf <1% - https://malichaaz.blogspot.com/2014_04_25_archive.html <1% - http://www.un.org/esa/socdev/unyin/documents/wpay2010.pdf <1% - https://www8.gsb.columbia.edu/citi/sites/citi/files/%28PDF%29%20Geva%20M-Money-NewYork-ABRV_April2010.pdf <1% - https://www.bi.go.id/id/pencarian/Default.aspx?k=uang%20elektronik <1% - http://scholarpublishing.org/index.php/ABR/article/download/4859/3034 <1% - https://guhrigut54.blogspot.com/ <1% - https://manchester.rl.talis.com/items/B02011FB-123A-DB50-B4DC-525FC07A8968.html	

Date: Monday, April 29, 2019

Novriyanto Napu, M.AppLing., Ph.D.
Director

TRANSBAHASA
Professional Translation & Language Services
SK Menteri Hukum dan HAM RI Nomor. AHU-0009641.AH.01.07.2017
JL. Ir.Hi. Joesoef Dalie (Ex Jl. Pangeran Hidayat) No. 78 Kota Gorontalo
Email. transbahasa.go@gmail.com / Phone. +62 853 9862 5876
www.transbahasa.co.id