

# FINANCIAL INCLUSION AND POVERTY ALLEVIATION IN REJANG LEBONG REGENCY

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**Abstract:** Financial inclusion is a condition of products or services from formal financial institutions that can be accessed and relished by various groups of society. Inclusive financial conditions can propel economic growths of the poor through formal financial institutions by forming business groups in each village. This article aims to address how the implementation of financial inclusion programs as a form of concrete efforts in the context of alleviating poverty in Rejang Lebong Regency. Moreover, this study uses a qualitative analysis method with a non-parametric qualitative approach. It shows that the presence of a financial inclusion programs in Rejang Lebong Regency can reduce the poverty level. This poverty alleviation effort is carried out through the pattern of providing venture capital to each Joint Business Group (KUBE) by raising regional superior products as its business, so as it can improve the economy of the local community. The distribution of venture capital assistance is also provided to Small and Medium-Sized Enterprises (UMKM) and religious organizations by maximizing the role and function of the Zakat Collecting Unit (UPZ) in each mosque for productive activities. Therefore, it is necessary to facilitate the granting of permits for the establishment of microfinance institutions such as Islamic cooperatives and savings and loan cooperatives as well as the synergy between the government, Islamic scholars, and the community in order to alleviate poverty through financial inclusion programs.

**Keywords:** inclusive; financial; poverty alleviation; Islam

**Abstrak:** Inklusi keuangan merupakan suatu kondisi produk atau jasa dari lembaga keuangan formal yang dapat diakses dan dinikmati oleh berbagai kalangan masyarakat. Kondisi keuangan yang inklusif dapat mendorong pertumbuhan ekonomi masyarakat miskin melalui lembaga keuangan formal dengan membentuk kelompok usaha di setiap desa. Tulisan ini ingin menjawab bagaimana implementasi program inklusi keuangan sebagai bentuk upaya konkrit dalam rangka mengentaskan kemiskinan di kabupaten Rejang Lebong. Menggunakan metode analisis kualitatif dengan pendekatan kualitatif non parametric, maka dapat disimpulkan bahwa kehadiran program inklusi keuangan di kabupaten Rejang Lebong dapat menurunkan tingkat kemiskinan. Upaya pengentasan kemiskinan ini dilakukan melalui pola pemberian modal usaha kepada setiap Kelompok Usaha Bersama (KUBE) dengan mengangkat produk unggulan daerah sebagai usahanya, sehingga bisa meningkatkan perekonomian masyarakat setempat. Penyaluran bantuan modal usaha ini juga diberikan kepada Usaha Mikro Kecil dan Menengah (UMKM) dan organisasi keagamaan dengan memaksimalkan peran dan fungsi Unit Pengumpul Zakat (UPZ) di setiap masjid untuk kegiatan-kegiatan produktif. Oleh sebab itu diperlukan kemudahan dalam pemberian izin pendirian lembaga keuangan mikro seperti koperasi syariah dan koperasi simpan pinjam serta sinergitas antara pemerintah, ulama, dan masyarakat dalam rangka mengentaskan kemiskinan melalui program inklusi keuangan.

**Kata kunci:** inklusi; keuangan; pengentasan kemiskinan; Islam

## Introduction

National development initiated by government is meant to address the rural poor reduction in Indonesia. It is assumed that there is improper policy planning and implementation to alleviate poverty and empower the poor.<sup>1</sup> Poverty is always correlated with economic dimension because it is accessible to be observed, measured, and compared. Furthermore, poverty is pertained with social, cultural, social political, environmental (nature and geography), health, educational, religious, and human characteristic dimension.

Poverty is a condition of individual or group of male and female who lack of basic needs to maintain and establish prestigious living<sup>2</sup>. In addition, Islam consider poverty alleviation as collective responsibility of community. Economic empowerment becomes compulsory for all levels of community, specifically poverty caused by social structure. It requires synergism among government, Islamic scholars, and community as subjects and object of change.<sup>3</sup> Consequently, community empowerment is administered into two ways, structural and cultural approaches. Cultural approach conducts by specific institution, however cultural approach emphasizes individual involvement, both as subject and object of poverty alleviation programs and community empowerment.

Financial sector is a vital role in nation's economic activities. Stability of financial activities lead to community's economic activities expansion. This expansion is expected not only enhance economic growth, but also accessible for any opportunities as well as working chance and the reduction of rural poor.

In terms of accomplishing such achievement, financial sector industries both banking and non-banking industry need to be improved to real

sector development and advance. It is intended to pro job and pro poor benefits. For example, micro and medium enterprises, low-income community, and other marginalized communities.

Nonetheless, access to financial institution as economic resources for the poor remains limited and uneven. According to Global Findex 2014 data, Indonesian people who have access to financial institution only approximately 36%. It indicates that 64% of Indonesian people lack of financial access<sup>4</sup>. Accordingly, this nation expects to improve financial access in all levels of community. It has been regulated under Presidential Regulation (Perpres) No. 82 of 2016 on Financial Inclusion National Strategy in which becomes initiation program of financial inclusion.

According to reports of Business Location Permits Survey (SKDU) by Bank Indonesia in 2018, difficulties in attaining banking credit in Indonesia related to inaccessible credit requirements indicates falling numbers as follows, quarter I by 12.14%, quarter II by 4.87%, quarter III by 3.99%, and quarter IV by 3.20%<sup>5</sup>. Declining of poverty level occurs not only in national level, but also in Rejang Lebong Regency. However, compare to 13 sub-districts in Bengkulu province, Rejang Lebong at the 5<sup>th</sup> place of the poorest population. Statistics Indonesia (BPS) of 2018 records most of Rejang Lebong inhabitants are below poverty line which is equivalent with 42,130 people or 16.23% of 259,945 people in total.<sup>6</sup>

As a result, the primary aim of poverty alleviation programs towards financial inclusion is to develop equality and ability in a community.<sup>7</sup> Through financial inclusion, it is expected that economic growth performs better, poverty levels declined, and economic gap diminished. The objective of this study is to determine concrete

<sup>1</sup> Chriswardani Suryawati, "Memahami Kemiskinan Secara Multidimensional", *Jurnal Manajemen Pelayanan Kesehatan*, Vol.8, No. 3, 2005, pp. 121-129.

<sup>2</sup> Dicky Djatnika Utama, "Peranan Pendidikan dalam Pengentasan Kemiskinan" *DIALOGUE, JIAKP. Jurnal Ilmu Administrasi dan Kebijakan Publik*, Vol. 6, No. 1, 2009. pp. 1-12.

<sup>3</sup> Muhammad Istan, "Pengentasan Kemiskinan Melalui Pemberdayaan Ekonomi Umat Menurut Perspektif Islam" *Al-Falah: Journal of Islamic Economics*, Vol.2, No. 1, DOI : 10.29240/jie.v2i1.199.

<sup>4</sup> See, Global Findex, *Financial Inclusion Data*, 2014. <https://globalfindex.worldbank.org/archives/2014-global-findex>

<sup>5</sup> Bank Indonesia, Report of Survei Kegiatan Dunia Usaha (SKDU) Bank Indonesia 2018. [www.bi.go.id](http://www.bi.go.id)

<sup>6</sup> Statistics Indonesia (BPS) of Rejang Lebong, Kabupaten Rejang Lebong dalam Angka 2019, <https://rejanglebongkab.bps.go.id/>

<sup>7</sup> Bondan Satriawan, "Henny Oktavianti, Upaya Pengentasan Kemiskinan Pada Petani Menggunakan Model Tindakan Kolektif Kelembagaan Pertanian" *Jurnal Ekonomi Pembangunan: Kajian Masalah Ekonomi dan Pembangunan*, Vol. 13, No. 1, 2012, pp. 96-112.

implementation of financial inclusion to alleviate poverty in Rejang Lebong Regency.

## Method

This study was a qualitative analysis research which was attempted to describe tangible efforts of national policy implementation of financial inclusion in Rejang Lebong Regency. Nonparametric of qualitative approach was employed to collect the decision-making of general framework without assumption. Moleong suggests that qualitative research is intended to discern phenomena experienced by research subject, for example behavior, perception, motivation, action, which perform holistically and naturally with textual description in a specific context and various natural method<sup>8</sup>. In order to obtain certain preferences, questionnaires and direct interview to experts, practitioners, and local stakeholders were applied. This data collection was limited to financial institution experts as well as local government official to obtain prominent data for qualitative analysis into analysis framework. Primary data was used in present study.

## Financial Inclusion

Financial inclusion is enacted in Presidential Regulation No. 82 of 2016 concerning financial inclusion. It is stated that financial inclusion defines a condition which individual has access to various qualified formal financial services punctually, easily, and safely followed with affordable services based on levels of necessities and ability in terms of achieving social welfare. Financial resources provided should be suitable for local community and accessible for requirement as well as services. Secure financial services are beneficial for rights and responsibility protection that might occur among people of the society.

Concerning to ministry of finance asserts that financial inclusion is determined as: right of individuals who has access and services to financial institution punctually, pleasantly, informatively, and affordably, as well as fully respected for

dignity<sup>9</sup>. Financial services are provided for all levels of communities, specific intention for the poor, the productive poor, migrants, and rural community.

Given the elaboration in previous paragraphs, the objective of financial inclusion in Indonesia are as follows:

- a. Having financial inclusion strategy as a part of economic development strategy, poverty alleviation, income distribution, and stability of financial system
- b. Providing financial product and services to meet basic needs of society. Moreover, it is useful to improve financial literacy among people of the society.
- c. Improving accessibility of financial services
- d. Strengthening synergy among banks, microfinance services, and nonbank financial institution.
- e. Optimizing the role of Information and Communications Technology (ICT) to broaden the scope of financial services.

Demirgüç Kunt, A., & Klapper, L suggest that the more inclusive the financial institution is, the bigger opportunity for people to carry financial services. It is also similar to the poor and the group of less fortunate people who eligible for benefits and guarantees<sup>10</sup>. Access to savings and credit through banking mechanism will lead to investment convenience of productive activities as one of the entrepreneurial skills programs.

In contrast, lack of accessibility and individual possession, amount of informal savings for education and business investment, as well as small firms with low wages, tend to gain slower opportunity of economic growth. As a result, it contributes to inequity of slower income distribution and economic growth.

However, Sarma in Hariharan & Marktanner suggests that there are five factors lead to financial inclusion gap: 1) Geographical accessibility

<sup>9</sup> Ministry of finance, Keuangan Inklusif, <https://fiskal.kemenkeu.go.id/dw-inklusif.asp>.

<sup>10</sup> Demirgüç Kunt, A., & Klapper, L, "Measuring financial inclusion: Explaining variation in use of financial services across and within countries". *Brookings Papers on Economic Activity*, (1), 2013, pp. 279-340

<sup>8</sup> Lexy J. Moleong, *Metodologi Penelitian Kualitatif, Edisi Revisi*, (Bandung: PT Remaja Rosdakarya, 2014).

and financial risk management, 2) Administrative requirements that seem to be exclusive, 3) Costly/expensive services/financial services, 4) Bank marketing that is targeted only to specific customers, 5) fear or psychologically worried about the bank.<sup>11</sup> Banking-related activities that is likely to have a cost becomes consideration for those with low wages.<sup>12</sup> Another explanation proposed by Radyati related to financial inclusion is a condition with qualified accessibilities which are affordable, delightful way, effortless, as well as prestigious with self-esteem and honor.<sup>13</sup>

Financial inclusion is defined as an attempt to reduce all kinds of problematics related to pricing and non-pricing to community accessibility to take financial services advantages.<sup>14</sup>

Financial inclusion refers to individual and firm rights to access financial services that have been interesting issue for policy maker, researcher, and other stakeholders. Likely, World Bank defines financial inclusion as “the proportion of individuals and firms that use financial service has become a subject of considerable interest among policy makers, researchers, and other stakeholders”.

Regarding to National Strategy for Financial Inclusion (SNKI), there are five pillars to achieve the goals.<sup>15</sup> 1) Pillar of Financial Education, aims to improve knowledge and awareness of people in society concerning to formal financial institution, financial products and services including features, benefits and risks, costs, as well as rights and responsibility. It is also beneficial to enhance individual's skill in financial planning and management. 2) Pillar of Community Property Rights, refers to advantage of financial

inclusion to access credit services to formal financial institution. 3) Intermediation Facility and Financial Distribution Channel Pillar intend to expand financial services for basic needs of various group of people. 4) Pillar of Financial Services of Government Sector aim to improve public services governance and transparency in distributing government funds through non-cash transaction. 5) Pillar of Consumer Protection. Habibullah mentions that consumer protection intends to provide safety during the transaction to financial institution. It also has transparency, fairness, trustworthiness, confidentiality, and safety of consumer information data, complaint, simple, swift and affordable customer dispute resolution.<sup>16</sup>

Given those five National Strategy for Financial Inclusion (SKNI) should be supported by the following three foundations: 1) Conducive policy and regulation, the implementation of financial inclusion program requires policy and regulation support of government and authority/regulator. 2) Appropriate infrastructure and financial information technology are necessary to minimize asymmetrical information that inhibits access to financial services. 3) Organization and mechanism of effective implementation, diverse financial inclusion actors need organization as well as mechanism that could encourage the implementation of various activities in integrated and collective ways.

#### Financial Inclusion Performance Indicator

In order to know the development of financial inclusion activities, it requires performance measurement. Indicators is considered as measurement for a nation in financial inclusion development, as follows:

1. Availability/accessibility: measures the ability of formal financial service facilities in terms of physical affordability and price.
2. Usage: measures the ability of actual financial products and services facilities (including regularity, frequency and duration of use).
3. Quality: measures whether the attributes

<sup>11</sup> Hariharan, G., & Marktanner, M, *The growth potential from financial inclusion*, (New York: ICA Institute and Kennesaw State University, 2012), p. 3.

<sup>12</sup> Hariharan, G., & Marktanner, M, *The growth potential...*, p.4

<sup>13</sup> Radyati, M. R, *Keuangan Inklusif Perbankan*. Published on Universitas Trisakti. MMCSR & MMCE. (Jakarta: Published on Universitas Trisakti. MMCSR & MMCE., 2012).

<sup>14</sup> Halim Alamsyah, *Pentingnya Keuangan Inklusif dalam Meningkatkan Akses Masyarakat dan UMKM terhadap Fasilitas Jasa Keuangan Syariah*, (Surabaya: UIN Sunan Ampel Surabaya, 2015)

<sup>15</sup> Bank Indonesia, “Keuangan Inklusif”, <https://www.bi.go.id/id/perbankan/keuanganinklusif/Indonesia/Contents/Default.aspx>

<sup>16</sup> Habibullah, “Inklusi Keuangan Dan Penurunan Kemiskinan: Studi Penyaluran Bantuan Sosial Non Tunai” *Sosio Informa*, Vol. 5, No. 1, 2019, pp. 38-50.

of financial products and services are met customer needs

4. Prosperity: measures the effect of financial services to life level of users.

Financial inclusion promotes frugality, develops the awareness of savings, improves access to credit either for business or consumption, enables efficient payment mechanism therefore reinforce resource base of financial institutions that bring economic advantages as a resource as well as availability of efficient and allocative payment mechanism.<sup>17</sup>

The importance of financial inclusion to drive economic growth through income distribution, poverty alleviation, and financial system stability becomes primary development strategy in Indonesia. In this case, the Indonesia's government has already had SNKI encompass six pillars of financial inclusion, they are financial education, public finance facility, financial information distribution, supporting policy/regulation, intermediation and distribution facility, and consumer protection (Ministry of Finance).

It has been proved by related research concerning to financial inclusion that could improve development and reduce level of poverty in any countries. It is also consistent with Sarma & Pais's research indicates that both level of human being development and financial inclusion have positive relationship for some countries in the world.<sup>18</sup> In addition, Aric suggests that positive relationship is revealed between financial system function and long-term economic development.<sup>19</sup>

Another research of financial inclusion impact to poverty is conducted by Dixit & Ghosh shows that provision of financial services access is potential to terminate the poor people from poverty life towards savings culture, frugality,

as well as possibility of efficient and low-cost payment mechanism development.<sup>20</sup>

Level of financial inclusion represents public participation or product access as well as financial services provided by financial institution in a country. This kind of access looks essential because it depicts life opportunity that is prosperous for well beings.<sup>21</sup>

The rural village funding program distributed to people of society could enhance the local economy, to some extent, it affects to the numbers of poverty decreased. This funding remain priority to the infrastructure development at its greatest portion and community empowerment through religious and region-owned enterprise (BUMD) institution<sup>22</sup>. One of funding resources for people in rural village society is rural village funding. It is from State Budget (APBN) for physical and non-physical development. The use of rural village funds is based on planning created by local government in form of Mid-term Development Plans for Village Level (RPJMDes). The non-physical development refers to community empowerment. Disbursement of village funds through three stages, which each stage requires certain requirements.<sup>23</sup> Financial inclusion program is expected ease those requirements.

## Types of Poverty

In general, poverty can be categorized into:

1. Natural poverty, namely poverty caused by natural conditions. Making natural conditions as one of the causes of poverty is not quite right. Countries in the Middle East with very barren natural conditions do not necessarily mean experiencing poverty. In fact, those countries are wealth with oil

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<sup>17</sup> Chakrabarty, K. S., *Financial Inclusion – Issues in Measurement and. IFC Workshop on Financial Inclusion Indicators*, 2012, pp. 1-17, Co-hosted by Bank Negara Malaysia: IFC Bulletin No 38.

<sup>18</sup> Sarma, M and Pais, J, "Financial Inclusion and Development: A Cross Country Analysis", *Journal of International Development* 23, 5, 2011, pp. 613-628. <https://doi.org/10.1002/jid.1698>.

<sup>19</sup> Aric, K. H, "How Does Financial Development Effects on Economic Growth in BRICS Countries?", *International Journal of Economic Studies* 2, 3, 2016, pp. 71-76.

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<sup>20</sup> Dixit, R., & Ghosh, M, "Financial Inclusion for Inclusive Growth of India a Study of Indian States" *International Journal of Business Management & Research (IJBM)*, Vol. 3, No. 1, 2013, pp. 147-156.

<sup>21</sup> Roberto Akyuwen, Caroline Mangowal, "Komparasi Peningkatan Inklusi Keuangan dan Indikator Pembangunan di Indonesia", *MODUS*, Vol. 30, No. 1, 2018, pp. 96-109.

<sup>22</sup> Muhammad Istan, "Implementasi Dana Desa Di Desa Air Meles Bawah Kecamatan Curup Timur, Rejang Lebong, Bengkulu", *EcceS (Economics, Social, and Development Studies)*, Vol.4, No. 2, 2017, pp. 128-142.

<sup>23</sup> Muhammad Istan, "Implementasi Dana Desa ..., pp. 128-142.

and gas potential. Japan is an earthquake-prone country, but it is one of the developed countries. On the other hand, many areas that were once green and had very high economic potential, but later became barren and no longer have economic value due to wrong planning. Natural poverty as part of the causes of poverty is a justification for human helplessness or laziness. The Quran Surah an-Najm [53] verse 48 states, “And definitely He, it is He Who makes rich and wealthy.” Allah SWT does not say that poverty is from Him, because due to His love and compassion has provided wealth and adequacy to mankind. Humans are indeed the cause of poverty. “What comes to you of good is from Allah, but what comes to you of evil, [O man], is from yourself.” (Q.S. An Nisa [4]: 79). Thus, do we still blame nature as the cause of poverty?

2. Cultural poverty is poverty that is caused by culture. Human has a trait that makes him rich and some that makes him poor. There is an inherent trait that makes a person rich as well as a trait that makes that person poor. In a broader scope, there is a nature or character of the nation that makes it always entangled in poverty, as well as there is a national character that makes the nation rise quickly from poverty. Cultural poverty happens due to a sense of pessimism, or the disease of the poor.
3. Structural poverty is a situation of poverty caused by low access to resources that occur in a socio-cultural and socio-political system that does not support poverty, but often causes poverty.<sup>24</sup>

The strategy to overcome poverty cannot be separated from the development of strategy adopted by a country. Programs that have been carried out to fight poverty often do not provide encouraging results due to endless poverty trap. Nasikun highlighted several sources and processes that cause poverty, namely: a) policy induces processes: the process of impoverishment

that is preserved, reproduced through the implementation of a policy (induced of policy) including an anti-poverty policy, but in reality, preserving the poverty. b) socio-economic dualism: ex-colonial state experiences poverty due to colonial production patterns, namely farmers becoming marginal because the most fertile land is controlled by large-scale and export-oriented farmers. c) population growth: a perspective based on Malthus's theory that population growth resembles a measurement sequence, while food is growing like an arithmetic sequence.<sup>25</sup>

### Poverty Indicators Developed in Indonesia

Poverty, artificial poverty reduction, and concept of poverty are very diverse, ranging from the inability to meet basic consumption needs and improving the situation, lack of business opportunities to a broader understanding that includes social and moral aspects. In a narrow sense, poverty is understood as a state of lack of money and goods to ensure life survival. In a broad sense, poverty is a multifaced or multi-dimensional phenomenon.<sup>26</sup> According to Suparlan, defining poverty as a low standard of living is a level of material deprivation in a number or class of people compared to the general standard of living prevailing in the society concerned.<sup>27</sup>

Chambers in Khomsan stated that poverty is an integrated concept that has five dimensions, namely: 1) poverty; 2) powerlessness; 3) vulnerability in dealing with emergency situations (state of emergency); 4) dependence; and 5) geographical and sociological isolation.<sup>28</sup> Living in poverty is not only living in lack of money and low-income levels, but also health level, low education, unfair treatment in law, vulnerability to the threat of criminal action, powerlessness in facing power and powerlessness in determining their own way of life.

<sup>25</sup> Nasikun, *Sistem Sosial Indonesia*, (Yogyakarta: Raja Grafindo Persada, 2003)

<sup>26</sup> Moh. Ilham Hamudy, *Pengentasan Rakyat Miskin dan Pembangunan Manusia di Jawa Barat*, Bandung: PPS FISIP UNPAD, Bandung, 2008)

<sup>27</sup> Parsudi Suparlan, *Kemiskinan Perkotaan dan Alternatif Penanganannya*. Ditunjukkan dalam Seminar Forum Perkotaan, (Departemen Permukiman dan Prasarana Wilayah. Jakarta, 2000).

<sup>28</sup> Khomsan, A, Fenomena kemiskinan. *Harian Suara Pembaharuan*, 1, 1999, pp. 84-101.

<sup>24</sup> Awan Setya Dewanta, et.al, *Kemiskinan, Ketimpangan dan Pembangunan*, (Yogyakarta: Aditya Media, 1995)

Meanwhile, based on Law No. 13 of 2011 concerning Management of the Poor, poverty is defined as a person who has absolutely no source of livelihood and/or has a source of livelihood but does not have the ability to meet appropriate basic needs for himself and/or his family.<sup>29</sup> Observing the above understanding, it can be understood that someone who is categorized as poor needs to live in poor condition. Various basic needs, food, clothing and shelter, including the need for clean water and lighting are not met properly.

Sajogyo argued that the poverty rate referred to the amount of household expenditure (Rupiah) which is equated with the number of kilograms of rice consumption per person per year and divided by rural and urban areas.<sup>30</sup>

- a. Rural village:
  - 1) Poor: if family expenses are less than 320 kg of the exchange rate of rice per person per year.
  - 2) Very poor: if family expenses are less than 240 kg of the exchange rate of rice per person per year.
  - 3) Poorest: if family expenses are less than 180 kg of exchange rate of rice per person per year.
- b. Urban area:
  - 1) Poor: if family expenses are less than 480 kg of the exchange rate of rice per person per year.
  - 2) Very poor: if family expenses are less than 380 kg of exchange rate of rice per person per year.
  - 3) Poorest: if family expenses are less than 270 kg of exchange rate of rice per person per year.

The basic element of human capability is education which plays a central role in overcoming the problem of poverty. Poverty is a complex problem that is influenced by various interrelated factors including income, health, education, access to goods and services, geographical location,

gender and environmental conditions. Poverty is no longer understood merely as an economic incapacity, but also a failure to fulfill basic rights and differences for a person or group of people in living life with dignity.

Factors that significantly influence the form of livelihood strategy are education, attitudes and motivation. As attitudes and motivations increase, the form of a livelihood strategy also increases. Factors which are not influential include age, level of formal education, non-formal education, assistance, local leaders, facilities and capital.<sup>31</sup> Revenue has a negative effect on the activities of a livelihood strategy. A good livelihood strategy will affect the ability of the community in terms of physiological, psychological and sociological abilities.

### Concrete Implementation of Financial Inclusion in Rejang Lebong Regency

Financial inclusion is an effort to remove barriers for people in accessing and obtaining financial services and products by financial institution, both formal and informal institutions. Concrete efforts undertaken by the government are, *First* by establishing various joint business groups in every village in Rejang Lebong Regency. The joint business group is accompanied by a group companion in fostering and directing group activities in its economic activities. The central and regional governments will provide financial assistance to each group through money transfers to group accounts. The funds are used to finance their group business operations. The village officers also allocate village funds for community empowerment.

*Second*, the Sharia Smallholder Financing Bank (BPRS) must return to the value of *khittah*, which means favoring of rural communities, as well as small and micro businesses. *Third*, accelerate the development of Islamic financial inclusion, such as by establishing micro *waqf* banks or cooperating with Micro Sharia Financial Institutions (LKSM) such as Baitul Mal Wattamwil (BMT) or Sharia Cooperatives while still holding the prudential principle. *Fourth*, continue to develop and monitor the development of Islamic financial inclusion

<sup>29</sup> Law No. 13 of 2011 on The Handling of the Poor and Needy. See. Also, Fauzan, "Penerapan Pemberian Bantuan Hukum Bagi Masyarakat Miskin Melalui Posbakum Di Pengadilan Agama Kota Bengkulu", *Jurnal Ilmiah Mizani: Wacana Hukum, Ekonomi dan Keagamaan*, Vol.4, No.2, 2017, pp. 125-134.

<sup>30</sup> Sajogyo, "Pertanian dan kemiskinan", *Jurnal Ekonomi Rakyat*, Vol. 1, No. 1, 2002, pp. 1-15.

<sup>31</sup> Lina Asnamawati, "Strategi Pola Nafkah Islami Masyarakat Daerah Tertinggal di Provinsi Bengkulu", *Madania: Jurnal Kajian Keislaman*, Vol. 20, No. 1, 2016, pp. 85-100.

that has been carried out by BPRS Harta Insan Karima Group and BPRS Amanah Ummah, through microfinance without collateral, Grameen Bank financing or joint liability through group leaders or *thaharah* financing for low-income people. *Fifth*, Islamic financial inclusion can be conducted continuously through collaboration with academics, practitioners, Financial Services Authority (OJK), boarding school leaders, and community leaders through mentoring method. *Sixth*, sharia financial industry actors must utilize sharia bank products which are very varied. For example, *murabahah* contract of buying and selling goods, and *istishna* in inventory. *Seventh*, OJK is ready to support or become a facilitator for the development of human resources (HR) LKSM, including BPRS, because the key to financial inclusion is reliable HR.

The government has also collaborated with OJK and BI through *Agen Laku Pandai* and Digital Financial Services (LKD) program. These programs are two of joint efforts in responding to challenges in providing financial access points that are closer to the community.

Religious organizations realize this financial inclusion by optimizing the role and function of zakat collection units in each village through religious instruments. Zakat, *shodaqoh* and *infaq* collected are distributed to disadvantaged communities in their respective regions in order to alleviate them in economic activities and social.

Society as a personal object that must have the will to improve themselves in social and economic merge into one group of businesses in the form of cooperatives or other self-help groups. It is hoped that they can benefit from this participation.

Islamic financial institutions, both banks and non-bank financial institutions, in this financial inclusion program must also continue to implement sharia compliance supervision systems at Bank Indonesia and the Sharia Supervisory Board. The supervision system of sharia compliance has been running well.<sup>32</sup>

According to Ibn Taymiyyah, the government is responsible for regulating equitable distribution of income from the rich to the poor, and

balancing the standard of living. Ibn Taymiyyah's statement could be realized by the authorities of current government to collect taxes on the rich and distribute tax revenue for the development of infrastructure and other costs that would increase human development and create jobs. Ibn Taymiyyah's thoughts about the distribution of income are relevant to the current economic conditions in Muslim countries in reducing unemployment and poverty.<sup>33</sup>

### Concrete Financial Inclusion for Poverty Alleviation in Rejang Lebong Regency

Inclusive finance is carried out to answer the problem of low financial access by the community, especially the poor through the deepening of financial access to regions, especially to the lower middle class. The presence of financial institutions, both banks and non-banks, is required with various advantages and ease in accessing and enjoying their products.

Financial inclusion that continues to be pursued by the state will surely be achieved if many parties are involved or participating. The practice of financial inclusion for personal finance can foster a positive attitude in managing finances by opening savings in financial institutions, especially banks. Choosing savings that fit one's goals, whether it's saving at the bank, saving stocks, gold or retirement savings. Understanding and having financial access to a better life in the future. There is no doubt, there are many sources of financial information that can be learned, for example through the OJK, a place to access the latest financial information for free.

BPRS as an extension of formal financial institutions seeks to become an intermediary institution in implementing inclusive finance aimed at equalizing financial access in Indonesia. Based on the results of the study using three inclusive financial indicators of Bank Indonesia, namely access, usage, and quality, it shows that BPRS has so far succeeded in maintaining and increasing its capacity to provide access, channel financing, and financial ratios.<sup>34</sup>

<sup>32</sup> Ade Sofyan Mulazid, "Pelaksanaan Sharia Compliance Pada Bank Syariah (Studi Kasus Pada Bank Syariah Mandiri, Jakarta)", *Madania: Jurnal Kajian Keislaman*, Vol. 20, No. 1, 2016, 37-54.

<sup>33</sup> Romi Adetio Setiawan, "The Relevance of Ibn Taymiyyah Economics in Addressing Poverty and Income Distribution", *Madania: Jurnal Kajian Keislaman*, Vol. 20, No. 1, 2016, pp. 13-22.

<sup>34</sup> Ahmad Rifa'i, "Peran Bank Pembiayaan Rakyat Syariah



Technological devices is required to access financial institutions and products. The current technological relationship is closely related to the existence of the internet as the main access. Fintech is one of the driving forces for the existence of a movement to help improve finance at UMKM, especially those in the middle of downstream communities through Islamic financial institutions. Fintech is a term that can be used to refer to innovations in the field of financial services.

The development of digital technology, including in the Islamic financial industry, is inevitable. Through financial technology (fintech), all forms of transactions are faster, easier, and at the same time more efficient, without the need for face-to-face meetings. The emergence of fintech is inseparable from the innovations developed to finance this financial concept. This requires start-up (new entrepreneur) to build its business.<sup>35</sup>

The financial inclusion model for UMKM in Rejang Lebong Regency is the inclusion of financial institutions in terms of capital in the form of low interest loans and Small Business Loans (KUR), which are accompanied by financial institutions<sup>36</sup>. While in terms of marketing, intensive assistance is needed, the participation of business actors at exhibition activities to commemorate the birthday of the city of Curup and other advertisements.

Financial inclusion is a way to socialize financial sector in particular facilitating banking services and financial access for the public. Improving living standards is one of the expected outcomes if financial inclusion goes well and thoroughly. The financial inclusion program in Rejang Lebong Regency is expected to have a significant impact on disadvantaged communities, including low-income, marginalized, minority, or legal identity communities, as well as women and young people, so as to create income equality and reduce poverty in the community.

dalam Mengimplementasikan Keuangan Inklusif Melalui Pembiayaan UMKM” *Human Falah: Jurnal Ekonomi dan Bisnis Islam*, Vol.4, No.2, 2017.

<sup>35</sup> Irma Muzdalifa, Inayah Aulia Rahma, Bella Gita Novalia, “Peran Fintech Dalam Meningkatkan Keuangan Inklusif Pada UMKM Di Indonesia (Pendekatan Keuangan Syariah)”, *Jurnal Ekonomi dan Perbankan Syariah*, Vol.3, No.1, 2018, pp.25-38.

<sup>36</sup> Setyani Irmawati, Delu Damelia, Dita Wahyu Puspita, “Model Inklusi Keuangan Pada UMKM Berbasis Pedesaan”, *JEJAK: Jurnal Ekonomi dan Kebijakan*, Vol.6, No..2, 2013, pp. 72-99, <http://dx.doi.org/10.15294/jejak.v7i1.3596> , 72-99.

## Conclusion

The presence of a financial inclusion program in Rejang Lebong Regency can reduce poverty. This poverty alleviation effort is carried out through the pattern of providing venture capital to each Joint Business Group (KUBE) by raising regional superior products as its business, so that it can improve the economy of the local community. The distribution of venture capital assistance is also given to Micro, Small and Medium Enterprises (UMKM) and religious organizations by maximizing the role and function of Zakat Collecting Unit (UPZ) in each mosque for productive activities. Therefore, it is necessary to facilitate the granting of permits for the establishment of microfinance institutions such as Islamic cooperatives and savings and loan cooperatives as well as the synergy between the government, *ulama*, and community in order to alleviate poverty through financial inclusion programs.

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