

# Improving Community Literation on Bank Perkreditan Rakyat and Bank Pembiayaan Rakyat Syariah (BPR/BPRS)

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**Abstract:** *The purpose of this study is to determine the public understanding of BPR/BPRS that is still low that BPR/BPRS are banks that have savings, deposits and credit shipping, registered and supervised by the FSA and guaranteed by LPS. The Banking Education Method is carried out by providing outreach/counselling, opening a banking consultation room to the public, distributing questionnaires and direct interviews with the acquisition of a sample of 100. From the results of the questionnaire, many respondents understand much the Commercial Bank than the BPR BPRS and better understand about financial institutions Non-bank; many respondents have never carried out activities in BPR/BPRS this is because they do not know BPR/BPRS and if they already know BPR/BPRS respondents consider products available at BPR/BPRS that do not meet the needs of respondents. Another cause is that commercial banks can service all BPR/BPRS activities plus other services such as providing a place for storing letters and goods, foreign exchange activities and general bank activities. Commercial banks also serve financial transactions ranging from the clearing, collections, foreign exchange and transfers that cannot be served by rural banks. The results prove that the level of education and demographic factors influence a person to invest.*

**Keywords:** financial Literacy; BPR/BPRS

## 1. Introduction

The Denpasar Bali community is a society with a high literacy and inclusion rate of more than 70%, after Jakarta Capital Special Region and Special Region of Yogyakarta. However, in reality, the Denpasar Bali community's understanding of BPR/BPRS is still low. BPR/BPRS as a community bank is generally close to the Community, especially in villages/sub-districts/ districts. However, until now there are still many people who do not understand that BPR/BPRS is a Bank that is supervised and registered in the Financial Services Authority (FSA) and guaranteed by Deposit Insurance Agency (DIA). Financial Literacy and management are essential for every Indonesian family because the family is one of the pillars of the economy (Bhushan & Medury, 2013; Mandell, 2008). The benefits of financial Literacy from the macroeconomic side are also significant because the higher the level of public financial Literacy, the more people who will use financial products and services can encourage the economic growth of the Balinese people as a whole and create income and equity equality. With increasing public financial Literacy, it is hoped that more and more Balinese will save and invest, which will become one of the sources of regional development funding.

## 2. Literature Review

The Financial Services Authority (FSA) defines that financial Literacy is a series of processes or activities to increase knowledge, skills, consumer confidence and the broader community so that they can manage personal finances better. The Financial Services Authority states that the vision of financial literacy is to realize Indonesian people

who have a high level of financial literacy so that people can choose and utilize financial products and services to improve welfare. The mission of Financial Literacy is to conduct education in the field of finance to the people of Indonesia so that they can manage finances intelligently, and improve access to information and use of financial products and services through the development of infrastructure that supports financial Literacy. Financial Services Authority Regulation Number 76/POJK. 07/2016 concerning Increasing Financial Literacy and Inclusion in the Financial Services Sector for Consumers and/or the Community, so that educational programs carried out to the public can increase the number of users of financial service products. The parties implementing education in the context of increasing financial Literacy to consumers and/or the public in the Financial Services Sector are registered and supervised by FSA based on statutory regulations, both Financial Services Business Actors conducting their business activities in a conventional or sharia manner consisting of Banks General, People's Credit Bank, Securities Companies, Pension Funds, Financial Institutions, Insurance Companies, Reinsurance Companies, Financial Institutions.

Cheung et al. (2015) state that a shallow level of financial Literacy causes the cause of financial problems, the financial Literacy referred to here is the knowledge possessed by a person or Community related to the existence of a financial institution included in the type of product issued and the advantages and disadvantages that may arise from that product. Someone who has been able to take advantage of financial products offered by financial institutions (ranging from banking, insurance, pawnshops, pension funds and capital markets) is considered to have functional financial

Literacy (Ergün, 2018; Rugimbana & Oseifuah, 2010; Sintha, 2018). At present, the level of financial Literacy of the Balinese population has only reached 38%. From this figure, it can be seen that only 38 per cent of Balinese are educated on financial matters. The financial inclusion index in Bali in 2019 reached the level of 92.91% illustrating that most people in the regions have used financial services industry products without understanding the risks of these products. Remund (2010) describes five domains of financial Literacy namely; 1) knowledge of financial concepts, 2) ability to communicate about financial concepts, 3) ability to manage personal finances, 4) ability to make financial decisions, 5) confidence to make financial planning in the future. Servon & Kaestner (2008) states that the current development of financial Literacy is caused by, among others, low-interest rates on savings, many companies going bankrupt, a high percentage of loans/debt, and to determine the future of each individual must be accountable for the decision chosen.

Bhushan and Medury (2013) state that financial products emerge and an individual is required to be able to understand the risks and benefits of these financial products, so it is essential to be able to obtain financial Literacy. From this financial Literacy the individual will be able to use financial services and products correctly in accordance with the needs he wants and is not easily fooled by unscrupulous individuals who often use one's ignorance about finance to gain personal benefits (Tyas & Sunarto, 2020; Nadeak & Naibaho, 2019). It is where the role of financial Literacy emerges, which is to help improve the quality of financial services so that they are better and can contribute to growing the economy and development of a country.

Allgood (2016) states that financial Literacy affects one's decisions in investing. Lusardi, A., & Mitchell, O. (2011) shows that the level of financial Literacy has a significant effect on investment decisions. For individuals, knowledge of finance is essential so that in making financial decisions they do not misunderstand. Knowledge of public finance can be seen from how many levels of financial Literacy it has (Al-Tamimi, 2009; Thapa, 2015). The higher the level of financial Literacy a person has, the more appropriate it is to determine the taking of financial products, especially with the credit system and later be able to avoid financial risk. In addition to financial Literacy there are also demographic factors that can influence a person's behaviour, including in managing his financial behaviour. Sociodemographic factors consist of gender, age, education level, marital status, employment, position and income. From the characteristics of these demographic factors can affect one's behaviour, including in managing personal finances (Ansong & Gyensare, 2012; Hanna & Perdue, 2010; Fatoki, 2014).

A person's physical condition is influenced by age which is a limit or level of life-size of a person (Williams, 2019; Dema, 2009; Chen, Nguyen, Klaus & Wu, 2015; Williams, 2007; Branigan, & Brugh, 2013). The age factor plays an essential role in making one's decision in determining the right financial products and services. The more mature a person's age, the behaviour in making decisions will be wiser because of old age more careful and do not want to overspend because it will make a burden for them. Lee (2009), Chaplin & John (2007), and Pearson, Biddle, &

Gorely (2009) state that the more mature a person's age, the more rational behaviour in making decisions will be. Education is the level of mastery of knowledge possessed by someone about how their ability to understand things properly (Sangkakoon, Ngarmyarn & Panichpathom, 2014; Xiao & Shu, 2011; Sintha, 2019)

### 3. Research Method

How to select respondents in this study is the survey method using questionnaires and interviews. Survey is a research method in which data collection techniques are carried out through written or oral questions, and surveys may be referred to as a form of research in which the respondent is human and to be able to obtain information from it, it is necessary to develop a research instrument namely questionnaire and/or interview guide. The population is the whole object of research. Population is a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions. The population in this study are the people who attended the National BPR/BPRS Day event as many as 14,400 participants, including BPR/BPRS management and employees. In this study, the authors narrowed the population to 11,400 participants by calculating the sample size using the Slovin technique with the Slovin formula as follows:

$$n = \frac{N}{1+N(e)^2}$$

Description:

n = Number of Respondent

N = Number of Population

E = Percentage of allowance for accuracy of sampling errors that can still be tolerated; e=0,1

Samples were taken based on the probability technique right; simple random sampling, where researchers provide equal opportunities for each member of the population to be selected into a random sample without regard to strata in the population itself. This sampling is done by incidental technique, incidental sampling is the determination of samples based on coincidences, i.e. anyone who insistently meets with the researcher can then be used as a sample, if it is deemed the person who happens to be found is suitable as a source of data, the sample of this study is:

$$n = \frac{11.400}{1+11.400(0,1)^2} = \frac{11.400}{115} = 99,13 \text{ adjusted by researchers to } 100 \text{ respondents.}$$

## 4. Result and Discussion

### 4.1 Result

It can be seen from the results of filling in the questionnaire by the respondents, that there are many respondents who understand the Commercial Banks far more than the BPR/BPRS and other non-bank financial institutions, besides that based on the data obtained it can be seen that there are also many respondents who have never carried out activities at the BPR/BPRS, this is because they do not know BPR/BPRS and if they already know BPR/BPRS

respondents consider the products available at BPR/BPRS do not meet the needs of respondents.

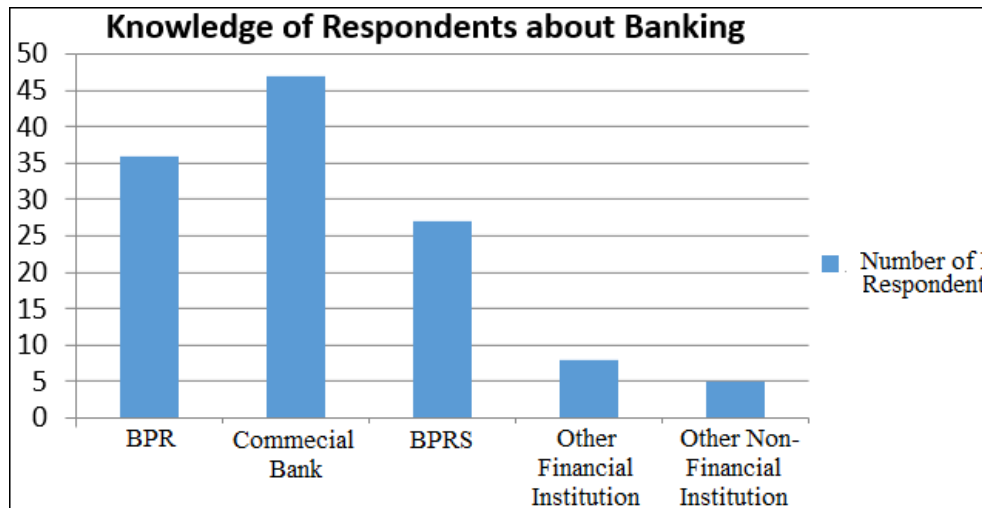


Figure: Knowledge of Respondents about Banking

Another cause is that commercial banks are able to service all BPR/BPRS activities plus other services such as providing a place for storing letters and goods, foreign exchange activities and general bank activities. Commercial banks also serve financial transactions ranging from the clearing, collections, foreign exchange and transfers that cannot be served by rural banks.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	.472 <sup>a</sup>	.223	.207	1.010

a. Predictors: (Constant), Education, Age

From the results of the above table, it can be seen that the value of R/Correlation in the research model is 0.472, this value is interpreted that the relationship between the two research variables is in the weak category. In the table above also shows the value of R square (coefficient of determination), which shows how well the regression model is formed by the interaction of independent variables and dependent variables. The R Square value obtained is 22.3% which shows that the independent variables (age and education) have a contribution effect of 22.3% on the dependent variable (Respondent Knowledge of BPR), and 77.7% are influenced by other factors outside the variable free in this study.

ANOVA						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	28.395	2	14.198	13.911	.000 <sup>b</sup>
	Residual	98.995	97	1.021		
	Total	127.390	99			

a. Dependent Variable: BPR

b. Predictors: (Constant), Education, Age

From the table above it can be seen the significance value of the research model of 0,000; this means the research model that has been done is linear.

**Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.027	.458		4.424	.000
	Age	-.183	.148	-.114	-1.232	.221
	Education	.630	.120	.489	5.273	.000

a. Dependent Variable: BPR

Based on the table above it can be seen the influence of age and education free variables on respondents' knowledge of BPR, seen from the significance value of the educational variable having a significance value of 0,000, meaning that the value is smaller than the alpha confidence standard of 0.05 (5%). It can be concluded that the educational variable has a significant effect on knowledge of BPR, in addition, a positive Beta coefficient value of 0.63 indicates a positive and significant relationship between education and knowledge of BPR. If there is a 1% increase in the education variable will give a positive change to the dependent variable (knowledge on BPR) by 63%, the higher the education of respondents, the knowledge of BPR will increase. In contrast, for the free age variable, it does not have a significant effect on knowledge respondents to BPR, as evidenced by the significance value of the age variable of 0.221 which means more significant than the alpha confidence standard. Old or young respondents are not a measure for increasing knowledge of the BPR.

**4.2. Discussion**

The results of the above study show that the higher the level of financial Literacy a person has, the more appropriate it is to determine the taking of financial products, especially loans/credit and later be able to avoid financial risk. The results of this study support research conducted by Allgood (2016) and Lusardi, A., & Mitchell, O. (2011), knowledge of finance is significant for an individual so that they do not misunderstand in making their financial decisions. Knowledge of public finance can be seen from how many levels of financial Literacy it has. Based on research that has been done, it is found that the age of the respondent is not a



measure to increase knowledge of BPR. The results of this study are not in line with Lee (2009), Chaplin & John (2007), and Pearson, Biddle, & Gorely (2009), stating that the more mature a person's age, the behaviour in making decisions will be more rational in thinking. While the results of research based on the level of education proved to be a positive and significant relationship between education and knowledge to BPR. With the higher level of education achieved, the more knowledge gained to act or make decisions will be more careful in considering all decisions such as the decision to take credit by paying attention to payment procedures, benefits, financial risks. The results of this study support the results of research that found education is the level of mastery of knowledge possessed by someone about how their ability to understand things properly (Zhang, Torney & Barber, 2012; Černe, Nerstad, Dysvik & Škerlavaj, 2014; Schieman & Plickert, 2008; Sintha & Simbolon, 2020).

Financial Literacy helps a person or business owner to obtain financial knowledge of Commercial Banks, BPR/BPRS, Financial Institutions and Non-Financial Institutions and enhances the skills needed for them to make business plans, initiate financial plans, and make strategic investment decisions.

## 5. Conclusion

Based on the results of the analysis that has been done, it can be concluded that: a) People with higher education are easier to understand the role and function of BPR/BPRS, but with high levels of education, the need for banking has been fulfilled at commercial banks and Islamic commercial banks, so that does not make the Community choose BPR/BPRS as a bank to meet the needs of banking services; b) BPR/BPRS are in villages/wards/sub-districts where the level of education of the people is lower than urban areas so that many people do not yet know/understand the role and function of the BPR BPRS as a Bank so that it still needs to be literated by banks; and c) although BPR/BPRS have existed since the 19th century in Bali, it does not make the public understand the role and function of BPR/BPRS as Banks, because age does not affect the level of understanding of BPR BPRS. Getting older does not guarantee that the public will know a BPR/BPRS as a Bank.

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