

# Encouraging Financial Literacy Through Corporate Social Responsibility of Financial-Service Businesses in Indonesia:

## A Conceptual Paper

Astrie Krisnawati

Faculty of Economics and Business

Telkom University

Bandung, Indonesia

astriekrisnawati@telkomuniversity.ac.id

**Abstract**—The government of Republic of Indonesia, through the Financial Services Authority (OJK), has stipulated regulation No. 76 / POJK.07 / 2016 regarding Promoting Financial Literacy and Inclusion in the Financial-Service Sector for consumers and / or the public. Based on this regulation, all financial-service businesses are required to prepare activity plans in order to promote Financial Literacy within society. The implementation of the plans can be part of Corporate Social Responsibility (CSR) activities. This study aims to formulate a model of CSR activities carried out by the financial-service businesses in order to improve financial literacy in Indonesia. The samples of this study consist of banking companies in Indonesia those are selected by purposive sampling technique. This conceptual paper is carried out by collecting secondary data from annual reports of the selected companies. The technique of analysis applied in this study is a content analysis by noticing CSR activities in the form of financial educations those are published in the banking companies' annual reports to find the constructs based on middle-range theory in order to formulate the model. The finding of this study is a model which shows that CSR activities conducted by Indonesia banking companies encouraging financial literacy in terms of education activities, technology applications, and banking services. The result of this study is a basic model of integration between CSR and financial literacy to be developed in further research.

**Keywords:** *financial literacy, corporate social responsibility, financial inclusion*

### I. INTRODUCTION

Currently, financial literacy is a crucial matter in most developing countries, including Indonesia. Thus, increasing financial literacy is one of the government's priority programs. Promoting financial literacy in each country is a collective responsibility of all elements of society in the country. The Government of the Republic of Indonesia promotes financial literacy programs by actuating all parties, including businesses in the public and private sectors.

The increase in financial literacy is aimed to encourage financial inclusion programs among all citizens of the Republic

of Indonesia. The ultimate goal of the program to increase financial literacy and financial inclusion is to eradicate poverty which is a major problem in almost all developing countries, no exception in Indonesia. Poverty is one of the main problems that is growing in developing countries. Poverty is also associated with limited public access to financial services. Approximately, there are two billion people living in developing countries that have very limited access to formal financial services [1].

The number of people who do not have access to financial services is enormous. The data presented by the World Bank Group (WBG) shows that up to 2017 the number of adult communities around the world who are still unbanked or do not have access to banking services is 1.7 billion people. The WBG is committed and targets in 2020 to empower and provide access to banking financial services for 1 billion people among those who are still unbanked. Within six years, the WBG recorded an increase in people who had access to banking services (banked), i.e.11%. The number of adults in the entire world in the banked category in 2011 was 51%, and this number increased to 69% in 2017 [2].

Currently, Indonesia, as a developing country, still has a high level of financial exclusion. Based on the results of the LD-FEUI survey conducted in 5 provinces in Indonesia, it was found that only 35% of respondents had a bank account. Based on the Indonesian Household Survey conducted by the World Bank in 2012, data revealed that there were 32% of Indonesia's adult population who had not yet saved their money. From the same survey, data were obtained that only 48% of Indonesia's adult population had saved their money in formal financial institutions. This number has also increased from 2011 which only reached 20%. For this reason, the Government of the Republic of Indonesia through cooperation between Bank Indonesia, the National Team for the Acceleration of Poverty Reduction (TNP2K), and the Ministry of Finance of the Republic of Indonesia, strives to increase financial inclusion in Indonesia through the National Financial Inclusive Strategy (SNKI) [3].

The government of Republic of Indonesia through the Financial Services Authority (OJK) has established regulation no. 76 / POJK.07 / 2016 concerning Improvement of Financial Literacy and Inclusion in the Financial Services Sector for consumers and / or the public [4]. According to this regulation, all financial-service businesses are required to prepare activity plans to promote Financial Literacy in the community. Implementation of the plan can be part of Corporate Social Responsibility (CSR) activities [4].

Banking companies can empower their CSR activities as an effort to support programs to increase financial literacy and financial inclusion. Through CSR programs, companies can deal directly with the public more closely and intensively. CSR is an important activity that must be carried out by companies in running their businesses. Kotler and Lee stated that CSR is a company's commitment to be responsible for improving the welfare of the community around the company by utilizing company's resources [5].

Within the last decade there have been many studies conducted by previous research regarding financial literacy, especially in emerging countries, such as India [6], Bosnia and Herzegovina [7], South Africa [8-11], Latvia [12], Dominican Republic [13], Mexico [14], Tanzania [15], and Nigeria [16]. Most of studies regarding financial literacy in emerging countries focused on knowledge standards of financial literacy, i.e. basic money management and loan management. The state of the art or the research gap between this study and the previous ones is this research will take into account the CSR programs to be integrated in the efforts of encouraging financial literacy.

This study will make efforts to find constructs of financial literacy in integration with CSR programs. The objective of this study is to formulate a model of CSR activities undertaken by financial-service businesses in order to improve financial literacy in Indonesia.

## II. LITERATURE REVIEW

Financial inclusion is a program to improve financial services for the public. The World Bank defines financial inclusion as a condition where individuals and businesses have access to useful and affordable financial products and services that meet their needs responsibly and sustainably. Financial products and services include transactions, payments, savings, credit and insurance. Having access to a transaction account is the first step towards broader financial inclusion. Having a transaction account will make it easier for people to save money, send and receive payments. Transaction accounts are a gateway for other financial services. Thus, the World Bank Group (WBG) through an initiative called Universal Financial Access 2020 focuses its program to ensure that people around the world can have access to transaction accounts [17].

Several studies have shown that financial inclusion is an important issue that has been implemented intensively in various developing countries within the last three years. However, it still requires more active development and efforts in the implementation. A study conducted in India shows that although there has been a significant increase in financial inclusion in India from 1991 to the present, but it has not been

able to produce a significant increase in the financial access of people in rural areas in India when it is compared to community financial access in urban areas of India [18]. The results of other studies conducted in India shows that banks have a very important role to increase financial inclusion in terms of credit, savings and investment. It must also be supported by regulations governing financial services and efforts to increase financial literacy [19].

Efforts in increasing financial inclusion can be conducted through financial literacy improvement programs that directly involve financial institutions. This involvement can be pursued more intensively through CSR programs conducted by banking companies. The term of CSR was first introduced by H. Bowen in 1953. CSR is defined as an obligation for businessmen to contribute in providing the values needed by society [20]. Therefore, banking companies as the main business actors in the financial-services sector have an obligation to the public to provide beneficial values, one of which is financial literacy as an effort towards financial inclusion and poverty eradication.

## III. METHODOLOGY

The purpose of this study is to find constructs based on middle-range theory to formulate CSR program models in terms of financial literacy and financial inclusion carried out by banking companies. This research is a literature study. It is the first stage and a kind of preliminary study to do the further research regarding the integration of CSR and financial literacy. The literature study to make this conceptual paper was carried out by processing the secondary data which was obtained from annual reports of companies selected in the sample. The analysis technique for secondary data used in this research is content analysis by taking into account CSR activities in the form of financial education published in annual reports of banking companies. The CSR activities to encourage financial literacy of community conducted by the banking companies are then divided into some categories, and the middle-range theory are formulated by finding the similarities among the categories to build the proposed model.

The samples of this study consist of banking companies in Indonesia. The purposive sampling technique was applied to select the samples with some criteria, i.e. state-owned banking companies those are registered in OJK; listed in Indonesia Stock Exchange (IDX); consistently published the annual reports within 2016-2018. Thus, the samples selected were four banking companies, i.e. PT. Bank Negara Indonesia (Persero) Tbk (BBNI); PT. Bank Mandiri (Persero) Tbk (BMRI); PT. Bank Tabungan Negara (Persero) Tbk (BBTN); and PT. Bank Rakyat Indonesia (Persero) Tbk (BBRI).

There are two main objectives of this study. The first one is to find the constructs of integration between CSR and financial literacy in Indonesia banking industry through middle-range theory. After applying middle-range theory and gathering some constructs, then we are going to formulate a model of CSR activities carried out by the financial-service businesses in order to improve financial literacy in Indonesia. Middle range theory explains the constructs based on similarities found in observation within several groups, but they are not meant to

establish universal generalizations. Middle-range theory is to formulate local theories in specific and particular contexts [21].

**IV. RESULTS AND DISCUSSION**

This section is started by descriptions of individual case studies regarding CSR activities related with efforts to encourage financial literacy carried out by the four banking companies, i.e. BBNI, BMRI, BBTN, and BBRI. Every company has its specific programs, but there are some similarities among them.

**A. PT. Bank Negara Indonesia (Persero)Tbk (BBNI)**

BBNI has conducted several programs those are embedded with CSR activities to encourage financial literacy within society. The programs directly related with financial educations are “BUMN Mengajar”, education for migrant workers, socialization of Tax Amnesty, “Si Molek (Mobil Edukasi Keuangan)”, “BNI Pandai”, and also “BNI Traktir Anak Milenial” which is a financial education for youth and millennials. BBNI also makes efforts to encourage the increasing of financial literacy and financial inclusion by delivering social aid through “Kartu Tani” and its financial services such as “E-Warung KUBE” for banking services, “Kredit Usaha Rakyat (KUR)” for loan service, “Simpanan Pelajar” and “Kartu Jaring” for saving service. BBNI also develops an economic cooperation with local society by supporting “Badan Usaha Milik Desa (BUMDES)” which is a village-owned business entity. To improve financial inclusion for the society, BBNI supports its financial services by developing and applying technology through some programs, such as “Laku Pandai” for branchless banking services, “Layanan Keuangan Digital (LKD)” and “Agen 46” for digital financial services. Thus, the CSR activities regarding financial literacy conducted by BBNI are then categorized into some types of program, i.e. financial education, special aid, banking service, cooperation, loan service, branchless banking, digital financial services, and saving service.

**B. PT. Bank Mandiri (Persero)Tbk (BMRI)**

“BBMRI has also committed with some CSR programs to encourage the increasing of financial literacy, i.e. “Mandiri Edukasi” and “BUMN Mengajar” for financial education, “Wirausaha Muda Mandiri” for business education, “Pembinaan UMKM Sektor Retail” and “Mandiri Inkubator Bisnis” for business coaching, and “Mandiri Tabungan Simpanan Pelajar (Simpel)” for saving service. BMRI also makes efforts to improve financial inclusion by encouraging all

members of society to get financial-service accesses without any limitations. Thus, BMRI applies the technology development in its programs, such as “Mandiri Digital Inkubator” and “Layanan Keuangan Digital (LKD)” for digital financial services and “Mandiri Sahabat Difabel” as banking services for diffable persons. Thus, the CSR activities regarding financial literacy conducted by BMRI are then categorized into financial education, business education, business coaching, branchless banking, digital financial services, saving services, and service for diffable persons.

**C. PT. Bank Tabungan Negara (Persero)Tbk (BBTN)**

Almost the same as BBNI and BMRI, BBTN also conducts some similar programs to improve financial literacy and encourage financial inclusion, such as “Smart Branch”, “Siswa Mengenal Nusantara”, “BTN Simpanan Pelajar”, “Mobil Kas Keliling”, “Simolek Mobil Edukasi”, and “Kantor Layanan Setara Kantor Kas” for financial education and banking or saving services. Technology is absolutely needed in current financial services, then BBTN also conducts some programs related with technology, such as “Laku Pandai” for branchless banking services and “Digital Solution” for digital financial services. Thus, the CSR activities regarding financial literacy conducted by BBTN are then categorized into education, financial education and banking services, branchless banking, digital financial services, saving service, banking service, and financial education.

**D. PT. Bank Rakyat indonesia (Persero)Tbk (BBRI)**

BBRI also conducts some similar programs as BBNI, BMRI, and BBTN in encouraging financial literacy and financial inclusion through CSR activities. The programs are “E-Warung KUBE” and “Pickup Service” for banking services, “Laku Pandai” for branchless banking, “Agen BRILink” for banking and technology services, and also “Kartu Tani” as a social aid for society. Thus, the CSR activities regarding financial literacy conducted by BBRI are then categorized into banking services, branchless banking, banking and technology services, and social aid.

After doing a content analysis of the 2016-2018 annual reports published by the four samples of banking companies which consist of BBNI, BMRI, BBTN, and BBRI, then a mapping of their CSR activities can be carried out. CSR activities conducted by BBNI, BMRI, BBTN, and BBRI are closely related with efforts to increase public financial literacy. The results of mapping can be seen in Table 1 and Table 2.

**TABLE I. CSR ACTIVITIES OF BBNI AND BMRI**

<b>BBNI</b>		<b>BMRI</b>	
<i>Name of Program</i>	<i>Type of Program</i>	<i>Name of Program</i>	<i>Type of Program</i>
BUMN Mengajar	Financial Education	Mandiri Edukasi & BUMN Mengajar	Financial Education
Education for migrant workers	Financial Education	Wirausaha Muda Mandiri	Business Education
Socialization of Tax Amnesty	Financial Education	Pembinaan UMKM Sektor Retail	Business Coaching
Social Aid	Social Aid		
E-warung KUBE	Banking Services		
BUMDES	Cooperation		

Table 1. Cont.

BBNI		BMRI	
Name of Program	Type of Program	Name of Program	Type of Program
Kredit Usaha Rakyat (KUR)	Loan Service		
Laku Pandai	Branchless Banking	Laku Pandai	Branchless Banking
Layanan Keuangan Digital (LKD)	Digital Financial Services	Layanan Keuangan Digital (LKD)	Digital Financial Services
Simpanan Pelajar	Saving Service	Mandiri Tabungan Sempel	Saving Service
Kartu Jaring	Saving Service	Mandiri Sahabat Difabel	Service for Diffable Persons

Source: Annual Report of BBNI (2016-2018) and Annual Report of BMRI (2016-2018), data processed

TABLE II. CSR ACTIVITIES OF BBTN AND BBRI

BBTN		BBRI	
Name of Program	Type of Program	Name of Program	Type of Program
Smart Branch/Siswa Mengenal Nusantara	Education		
Mobil Kas Keliling	Financial Education and Banking Services		
		E-warung KUBE	Banking Services
Laku Pandai	Branchless Banking	Laku Pandai	Branchless Banking
Digital Solution	Digital Financial Services		
BTN Simpanan Pelajar	Saving Service		
Kantor Layanan Setara Kantor Kas	Banking Services	Pick Up Service	Banking Service
Simolek (Mobil Edukasi Keuangan)	Financial Education		
		Agen BRILink	Banking and technology Services
		Kartu Tani	Social Aid

Source: Annual Report of BBTN (2016-2018) and Annual Report of BBRI (2016-2018), data processed

*E. The Proposed Model*

From the result of mapping in Table 1 and Table 2, we can continue to do analysis using middle-range theory by finding similarities of CSR activities related with financial literacy among the four samples, i.e. BBNI, BMRI, BBTN, and BBRI.

The result of middle-range theory is the similar constructs laying within the four companies. The three big categories as the intersections of constructs among the four companies are: (1) Financial Literacy which consists of activities in financial education and business coaching; (2) Financial Literacy on Technology Application which consists of development in infrastructure, and digital services; (3) Financial Literacy on Banking Services which consists of further implementations of technology in banking services for saving, loan, and payment transactions. It is in accordance with Hatammimi and Krisnawati [22] that at present, financial literacy has a significant role in business growth and technology is also getting closer to human life. The proposed model resulted by this study is also in alignment with Stanislavská et al [23] that did the CSR Map of Banks which shows the integration between CSR activity and banking activity, including the activities of developing financial literacy and awareness, financial education, helping and supporting disadvantage people to use banking services, and providing products for people with special needs.

Then those constructs can be used to formulate the proposed model. The proposed model can be seen in Figure 1.

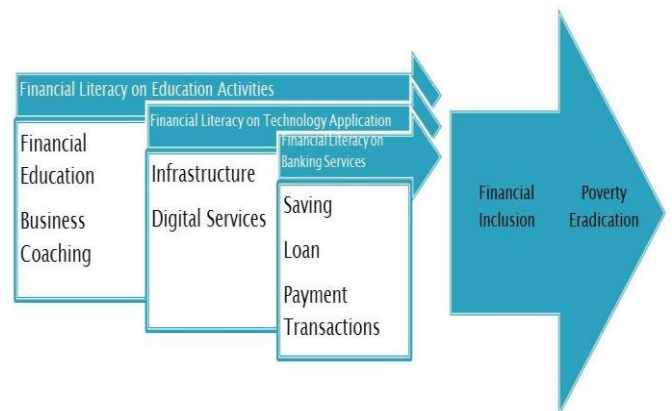


Fig. 1. The integration model of CSR and financial literacy.

The proposed model in Fig. 1 shows that the four banking companies encourage the enhancement of financial literacy through their CSR activities by focusing the programs on three points, i.e. (1) Financial Literacy on Education Activities which includes activities of Financial Education and Business Coaching; (2) Financial Literacy on technology Application which includes development on infrastructure and financial digital services; (3) Financial Literacy on Banking Services which includes financial services on saving, loan, and payment transactions. The points of Financial Literacy programs conducted by banking industry are intended to encourage and promote financial inclusion for the society. The programs of enhancing financial literacy and financial inclusion have an ultimate goal to eradicate poverty in society to be in accordance with Sustainable Development Goals.

## V. CONCLUSION AND IMPLICATIONS

The result of content analysis and middle-range theory applied in this study shows that CSR activities to encourage financial literacy in banking industries are focused on 3 points, i.e. Education, Technology, and Banking Services. Those points are meant to improve financial inclusion in society in order to reach the main goal of poverty eradication program.

The results of this study are expected to provide input for business people, especially in financial services business in carrying out CSR integrated with efforts to improve financial literacy and financial inclusion. This research certainly has many limitations that can be refined by further research by adding the samples consisting of financial-service businesses other than banking. The further research can also add the primary data by conducting in-depth interview with managers of financial-service companies and the beneficiaries of the CSR programs.

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