



## INTERNATIONAL RESEARCH DISSEMINATION FORUM 2022

### INKLUSI KEUANGAN DAN LAYANAN KEUANGAN DIGITAL: BUKTI EMPIRIS DARI NEGARA MUSLIM DI D-8

#### *Does Individual Characteristics Matter on Online Financial Transaction in Muslim Countries?*

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# Previous Literatures

## talk about...



Generally discuss about financial inclusion from demand side (individual side) and supply side (national/country side).

Other papers discuss about financial inclusion in developing countries and income inequality (Park & Mercado, 2015; Fungáčova et al., 2015).

Other studies have shown that the internal characteristics of individuals can determine the financial inclusion (Fungáčova et al., 2015; Susilowati & Leonard, 2019)

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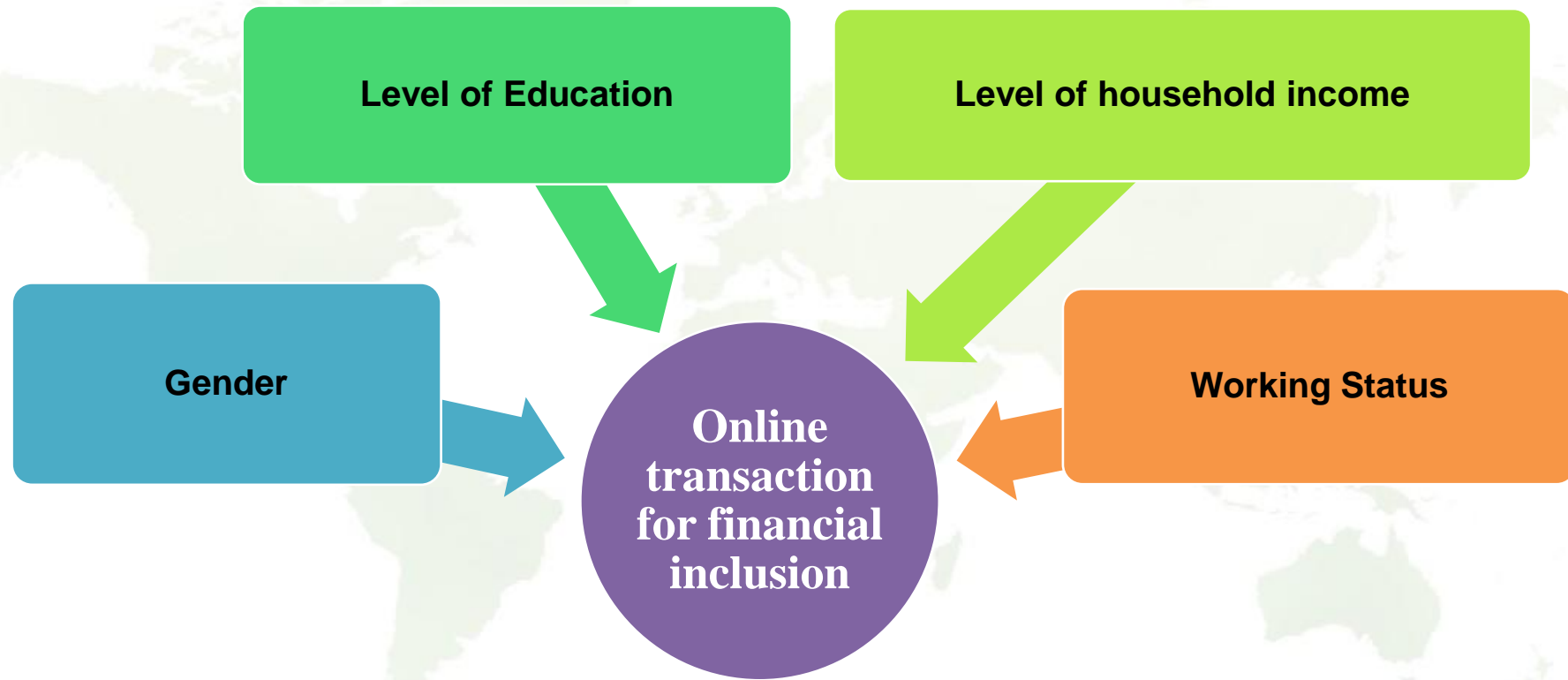
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# How can Individual Characteristics Effect on Financial Inclusion?

Individual characteristics determine financial inclusion by the online transactions through:



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# Meanwhile, the financial inclusion is important...

Research Objectives



1

This research aims to analyze individual characteristics that can affect the probability of using online transaction in formal financial institution

2

This research aims to investigate the inclusiveness of the financial inclusion among D-8 member countries

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# So, What is Financial Inclusion?

Financial inclusion is the **ability** of individuals or groups to **obtain, access and use** financial services as needed (Demirguc-kunt, 2012)

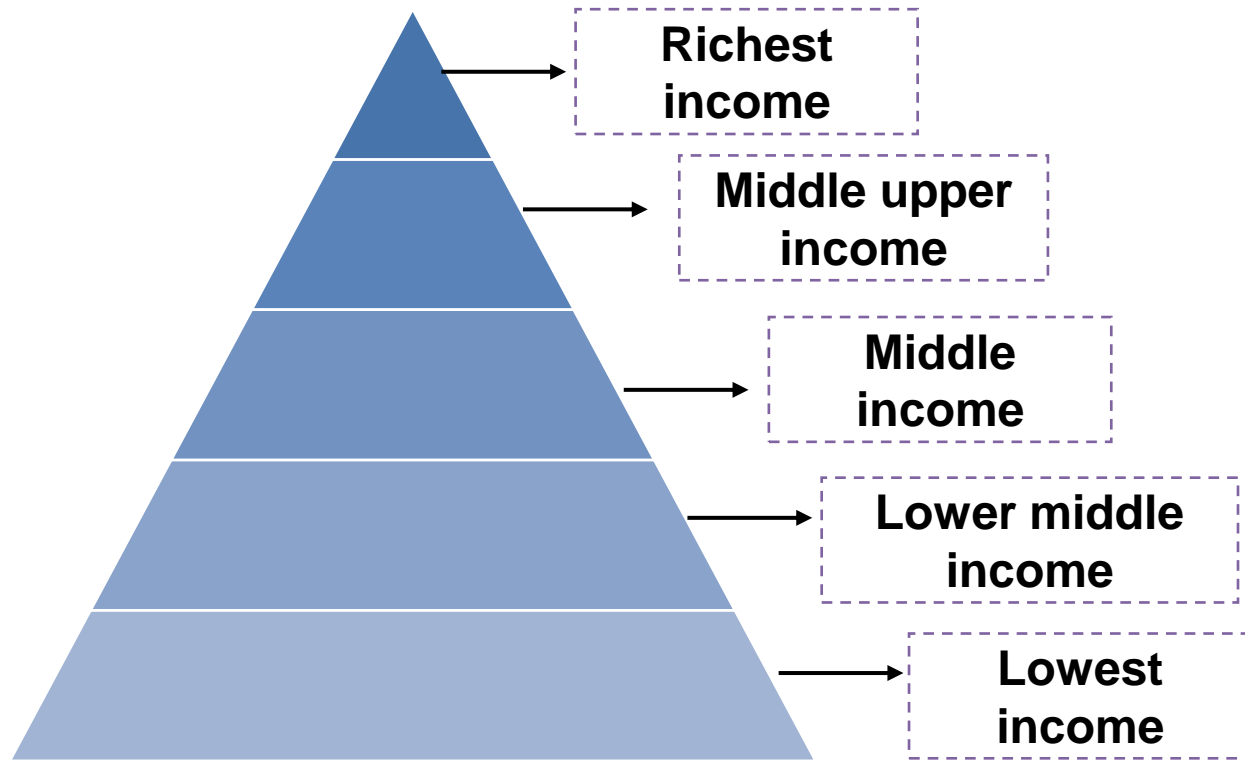
Financial inclusion focuses on both **access and the use** of formal financial services (Demirguc-kunt et al., 2014)

According to World Bank and The European Commission, financial inclusion is **activity to remove all barrier** that can make people exclusive from financial service and give benefits to all (Kim, 2016; Uddin et al., 2018)

By having a formal financial **account** is the **first step** to be financial inculsived. It helps to manage funds **savely and efficiently** (Bel et al., 2015; Uddin et al., 2018).

The account owner can take benefits of financial services (such as **loan** and **deposit**) that can be used as needed.

# The Income Level and Financial Inclusion



The Global Findex 2017

Lowest income individual in **the bottom of pyramid suffer losses** in the crisis of economy in 2008.

They generally **lack of formal financial services**

“The **lowest income group** are in **larger number** than above group, but **controls a small portion of the total global wealth**”

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# Individual characteristics also affect financial inclusion

(Mullen & Zissimopoulos, 2010; Demirguc-kunt et al., 2014; Ajani & Tjahjadi, 2018)



**Gender** privilege determines individual **decision in household**

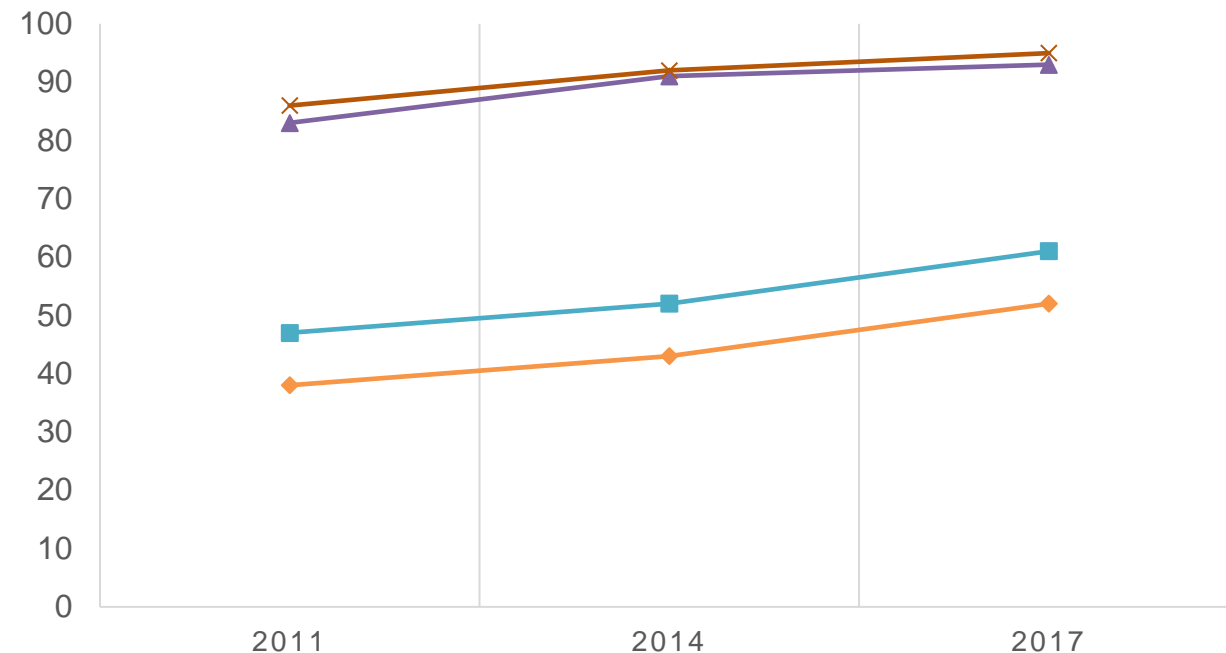
**Man more inclusive than woman** in both developing and developed countries.

However...

Financial inclusiveness in **developing countries less** than the higher income countries

## FORMAL ACCOUNT OWNERSHIP

—◆— Female in Developing Countries —■— Male in Developing Countries  
—▲— Female in Developed Countries —×— Male in Developed Countries



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# Gender in D-8 countries...

## Previous studies show.....

**Women are more exclusive** in formal financial services.  
(Fungáčova et al., 2015; Morsy & Youssef, 2017). It also happens in Africa  
and China (Zins & Weill, 2016).

Gender has **no significant effect** on formal account ownership in **Indonesia**  
(Perdana, 2016)

**Men** significantly **understand financial literacy** compared to women  
(Abel et al., 2018)



# ....Education and Working Status and Financial Inclusion in developing countries

The **higher education**, the more probability to be **inclusived** in formal financial services.

The one **who does not work** or out of workforce are more **exclusive**  
(Demirgüç-kunt, 2017)

The chance to financial inclusion in developing countries shows less than the developed one, because....

**2/3** of total respondents said **lack of assets** to be saved, while..

**1/4** of them said **distance, distrust, another family** member has formal account, and **religiosity** has effects on their decision.

(The Global Findex 2017)



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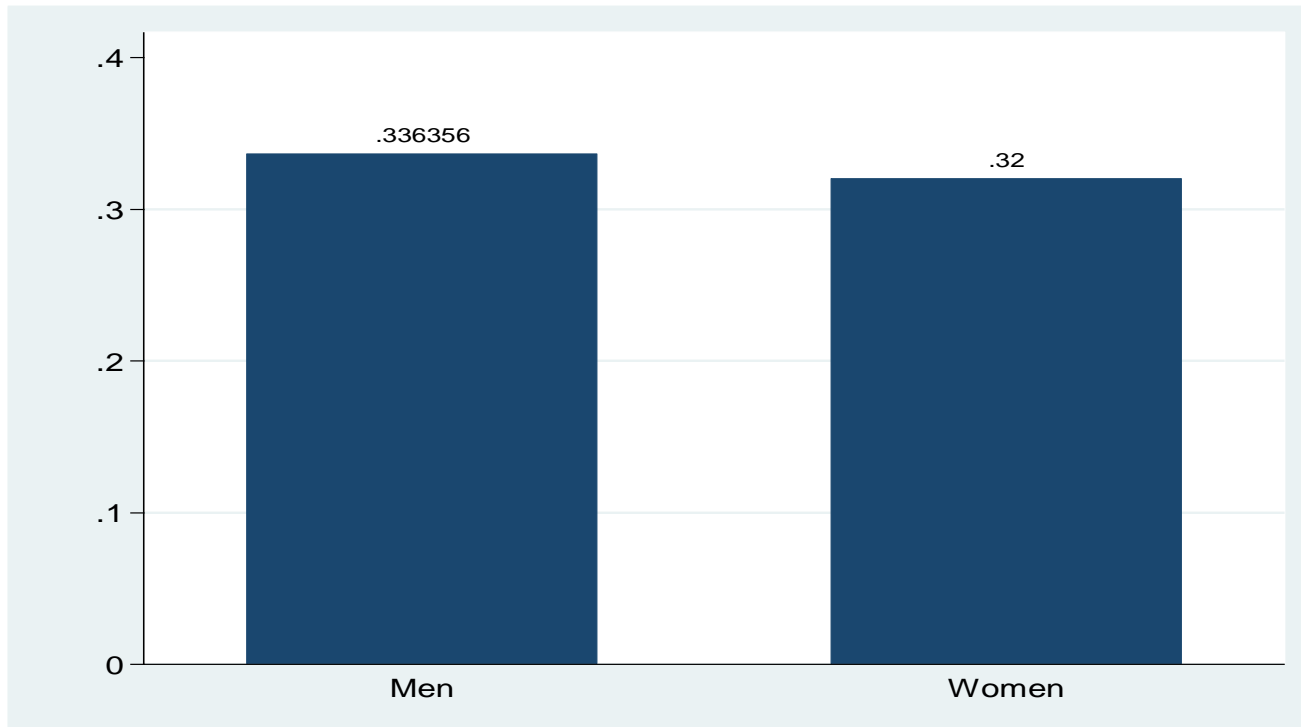
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# Result & Discussion (5/10)



The percentage of men who use the technology is 33.6% and only 32% of women who use it.

**Figure 1. The Percentage of Use of Online Transactions for Formal Financial Services by Gender**

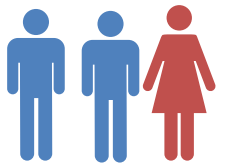
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# Conclusions (1/4)

This study **aims** to analyze the **individual characteristics** that affect the decision making **to do online transaction using internet or mobile phone**.  
In addition, this study investigates **the inclusiveness** of the financial inclusion among D-8 **Muslim Countries**.

Results show that...

1

*There is no gender inequality in the use of the internet or mobile phone to access formal finance*

2

*Respondents with secondary education and tertiary levels are more likely to have access to formal finance via the internet compared to respondents with primary education*

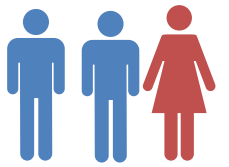
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# Conclusions (2/4)

3 Only if being in the group of forth20% and richest20% will give supremacy to use online transactions compared to poorest20% only when we add countries variable

4 In country D-8 coverage, **middle-income respondents** have **higher chance** and **high-income respondents (the richest)** are **higher chance** of accessing formal financial services via the internet or mobile phone **compared to low-income respondents**

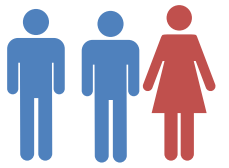
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# Conclusions (3/4)

5

## Being worker also has bigger chance to access online financial inclusion

Respondents who work have higher chances compared to respondents who do not work to access formal financial services using the internet

6

## Technology influences the online transactions on difference way among D-8 countries

There is no significantly gap between Bangladesh and Indonesia, Nigeria, Pakistan.  
The **probability of using the internet or mobile phone in accessing formal financial services is higher in countries with middle to upper income in D-8**, namely Iran, Malaysia and Turkey.  
From this result we know that **Egypt is the most exclusive country** on online transactions

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# ...so what can we do? (4/4)

## Government

Should **focus** on financial inclusion **infrastructure's development**, therefore it can give **advantages** for all levels of society.

Should make public policies **to reduce the barrier** of access on financial services.

## Community

Should **increase financial literacy** to gain better knowledge about financial product and be able to use the products according to their needs.

## Future Research

Need **more** research about financial inclusion from the **demand side**.

More research might be linked to financial literacy, microfinance stuffs, or newest policy in terms of online transactions.



THANK YOU