

## Research Article

# Inclusive Identity to Improve Financial Literacy in A Community: Social Identity Perspective

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Financial inclusion programs are increasingly being echoed by the government at various levels of society. This program aims to open financial access and quality financial services for community groups who have not received it, so far. But in fact, financial inclusion programs are not balanced with increasing financial literacy in the community. One of the efforts made by village-level economic institutions (BUMNag) in implementing financial inclusion, while increasing the financial literacy of their communities is through community-based savings programs. This article analyzes the challenges in improving people's financial literacy from a social identity perspective. The research uses a qualitative approach with a case study method. This research was conducted in a "Simpanan Bajapuik " program at one of the Village Owned Enterprises (BUMNag) in West Sumatra. This research found that "Simpanan Bajapuik" is a program implemented with an individual empowerment approach in helping people get community-based financial access. In addition, this article finds that identity conflicts are the main obstacle in implementing the "Simpanan Bajapuik" program. From the perspective of social identity, this article analyzes the active participation of community members in the "Simpanan Bajapuik" program that can overcome multiple identity conflicts experienced by other community members. This article contributes to explaining aspects of the relationship between individuals and between groups, in the process of financial inclusion and increasing financial literacy through the "Simpanan Bajapuik" program policy.

**Keywords:** financial inclusion, financial literacy, financial management, social identity theory

## 1. INTRODUCTION

Financial inclusion is a term for all activities in order to provide financial access to unbanked groups [1, 2]. The unbanked group is a group that does not have basic access to banks [3, 4], for example not having a bank account or savings at a bank, which is caused by irregular income, not having a legal identity, living in remote areas, and so on. Financial inclusion aims to reduce the number of unbanked people by providing

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financial access to this group [5, 6]. The opening of financial access has implications for improving welfare and reducing economic inequality in society [7, 8]. Meanwhile, financial literacy refers to the knowledge and skills needed to make everything related to financial decisions appropriately and effectively [9–11]. Knowledge in this context is not only knowing financial concepts, but also being able to apply this knowledge practically in financial management.

However, the development of financial inclusion has not been balanced with the level of financial literacy of the community. The results of the national survey of financial literacy and inclusion conducted by the Indonesian Financial Services Authority (OJK) show that there is still a gap between the level of financial literacy and the level of financial inclusion of 35.42%. In addition, research on financial inclusion and financial literacy is generally discussed separately and only focuses on economic perspectives, while sociological perspectives, relationships between individuals in community groups are still poorly studied [12].

The government's efforts to improve financial literacy have been echoed throughout all levels of government, from the central government to regional governments. At the lowest level of government, namely the village, the improvement of financial literacy is carried out by the village government and other institutions. Village-owned enterprises (Nagari-owned enterprises or BUMNag) are economic institutions formed through village deliberations with the aim of carrying out village resource management activities for the welfare of the village community [13, 14]. This means that this institution can carry out activities related to improving the financial literacy of rural communities, as well as providing economic benefits for the institution (BUMNag) [15].

### **1.1. "Simpanan Bajapuik" as a social norm**

"Simpanan Bajapuik" is a traditional savings and credit system practiced in Minangkabau society. This system is unique and cultured among the Minangkabau people. The term "Bajapuik" translates to "collecting" or "gathering," and it embodies the spirit of mutual assistance and cooperation within the community. This system is usually applied to a certain community, small in number, where each individual already knows and trusts each other. It aims to simplify the process of picking up savings deposits and expediting other financial processes. Therefore, "Simpanan Bajapuik" can also be called a community-based financial system. Community based systems enjoy capital in the form of trust in their community which is useful in leveraging activities [16].

“Simpanan Bajapuik” is essentially a form of informal savings and credit system. Minangkabau community members contribute regular savings to a collective fund, which is managed by a trusted individual or a committee. This pooled fund is then used to provide loans to members in need. This system is proven to be able to expand members’ access to productive resources [17]. However, some members of the nagari community have concerns about whether the combined funds will be used for the benefit of community members [18]. It’s important to note that “Simpanan Bajapuik” operates entirely within the community, and it is not a formal banking system. The system is rooted in trust and social cohesion. Members of the community participate voluntarily, and the repayment of loans is based on trust and personal relationships. This system serves as a source of economic support for community members. People can access loans from the collective fund to meet various needs, such as starting or expanding a small business, funding educational expenses, covering medical costs, or addressing emergency situations.

Typically, a trusted individual or committee is responsible for managing the “Simpanan Bajapuik” fund. Trusted individuals play a key role in strengthening trust and collaboration among community members [19]. Moreover, these individuals play a crucial role in maintaining the integrity of the system and ensuring that funds are managed responsibly and transparently. The “Simpanan bajapuik” system was adopted by one of the state-owned enterprises (Badan Usaha Milik Nagari or BUMNag) in West Sumatra, namely BUMNag Pakandangan Emas, as a system that they apply to the savings and loan business unit. This savings and loan unit was established with the aim of providing financial literacy through community savings habits, as well as providing easy access to funding for the community. “Simpanan bajapuik”, which is run as a community-based savings and loan system, makes it easier for BUMNag to gain support from the community. Attachment as a member of the community, namely the people of Nagari Pakandangan, then most of the community will participate as customers in this Savings and Loan Unit. Besides saving, community members can also access loans at very low interest rates. In other words, this savings and loan business unit, in addition to fostering the habit of saving (financial literacy) for the community, is also a forum that can provide financial access to village community groups in need (financial inclusion).

In relation to increasing financial literacy through Nagari community empowerment, it certainly cannot be separated from social conflict. Nagari society consists of people with various economic layers. Although in general the life of the Nagari community is farming, some of them also work as employees, and traders. Communities with economic limitations, or community groups with low income, are groups that are very

vulnerable to identity conflict. Conflict arises when people feel trapped in two conflicting identities, namely the identity as a Pakandangan Nagari community, and as a low-income community group. Being part of the community of Nagari Pakandangan means that the community must participate and pay savings deposits every day to the officers, while being a low-income community group means that they have other needs that must be met and make savings deposits not a priority in their finances.

Based on the phenomenon of identity conflict, this study aims to analyze in the perspective of social identity about identity conflicts that arise in society, and this is considered to hinder efforts to increase financial literacy. This study explores how double identity conflicts are managed by BUMNag so that the goal of increasing financial literacy through “Simpanan Bajapuik” can be achieved. This study contributes to providing an analysis of multiple identity conflicts in activities to open credit access and improve saving habits through savings and loan units.

## 2. METHOD

This research aims to understand the dynamics of individual behavior in a group, especially in understanding the dynamics of identity conflict, and individual interactions among different social groups. This research utilizes identity theory in explaining how individuals perceive themselves and their relationships with others in social groups.

Social identity theory proposes that individuals categorize themselves into social groups based on characteristics such as nationality, ethnicity, group, religion, occupation and others. This categorization affects how they perceive themselves and others, as well as their behavior towards in-group and out-group members. The theory also suggests that individuals strive to maintain a positive social identity by favoring the in-group and discriminating against the out-group. In addition, social identity theory highlights the impact of social categorization, identification, and comparison processes on intergroup behavior and conflict.

Social norms, which are accepted behaviors within a particular group or society, are closely related to social identity theory. According to social identity theory, individuals strive to maintain a positive social identity, which can be achieved by adhering to social norms within their group. Adherence to these social norms not only strengthens an individual's sense of belonging and acceptance within the group, but also contributes to the preservation of group identity. Furthermore, social identity theory highlights the role of comparison processes in intergroup behavior. Individuals often compare their

in-group with the out-group, which leads to the reinforcement of different norms and behaviors within their social group.

In addition to understanding the relationship between social identity theory and social norms, researchers find it important to consider the concept of multiple identities within the framework of this theory. Social identity theory recognizes that individuals are often members of multiple social groups and have multiple social identities based on those group memberships. The theory suggests that individuals may prioritize certain identities in different contexts, leading to shifts in behavior and attitudes based on the prominence of certain identities at any given time. This dynamic process of multiple identity management affects how individuals perceive themselves and others, as well as their interactions within different social groups. In addition, the interaction of multiple identities can influence intergroup behavior and conflict, as individuals navigate their roles across different social contexts. Understanding the nuanced dynamics of multiple identities within the scope of social identity theory provides valuable insight into the complexity of human behavior and social interaction.

### 3. RESULTS AND DISCUSSIONS

#### 3.1. Community participation in "Simpanan bajapuik" program

The concept of the savings program "simpanan bajapuik" means that the money deposited from the community is a savings or deposit. This deposit is a trust, the money deposited may not be used for anything without the consent of the deposit owner. This savings program aims to improve the financial literacy of the community through habitual savings behavior.

Meanwhile, if the deposit owner gives permission, the money deposited can be rotated to be loaned to people in need of funding. The "simpanan bajapuik" savings system applies the concept of risk sharing, meaning that the profits obtained by BUMNag in managing this program can be enjoyed by all savings account holders. Meanwhile, if there is a decline in profits, all account holders will also accept the risk.

Based on these rules, the "Simpanan Bajapuik" was implemented to all levels of society in Nagari Pakandangan. The community's response was very positive, and it can be seen from the number of customers who own savings accounts "Simpanan bajapuik" increasing in the first three months of this program.

People's daily deposits vary from Rp1,000 to Rp200,000. The average community deposit per day is Rp5,000, -. Bajapuik savings officers offer this program to all lines

of society in Nagari Pakandangan. They enter the markets offering savings products to traders and buyers, they also visit government agencies, schools, and other institutions in Nagari Pakandangan. Even elementary school students were introduced to the culture of saving and the benefits of saving. Community participation and acceptance is very positive, not only the people of Nagari Pakandangan, customers who own “Simpanan bajapuik” accounts also reach people from other Nagari-Nagari around Pakandangan.

*“...on average, the minimum deposit for a day is Rp 5,000... in elementary school there is a deposit of Rp 1,000 for school children who make saving...” (interviews with officers “Simpanan bajapuik”)*

### 3.2. “Simpanan bajapuik” is burdensome for the community

There are some community members who do not participate in the “Simpanan bajapuik” savings program. They generally explain that “Simpanan bajapuik” is not a priority at the moment. Although they realize that their participation is very important in supporting the BUMNag program, economic limitations have made them delay their intention to become “Simpanan Bajapuik” account holders.

Not all economically deprived communities refused to become customers of “Simpanan bajapuik”. Some of them are willing to become customers, but a few days later they no longer regularly save in their savings account.

*“... We cannot, so to speak... force people... because of different economic conditions. Some... for them Rp5,000, - is small, some even feel that Rp2,000, - is very valuable... so we are only voluntary.” (Interview with “Simpanan bajapuik” staff)*

*“... If you want it, you definitely want it. Because we are community member of Nagari Pakandangan... But to deposit every day I still have difficulty. When I have money ... I try to deposit ... but when there are other needs, well ... what else. Hopefully when we become members ... we can borrow money at a low cost” (Interview with one of the inactive customers of “Simpanan bajapuik”)*

According to some informants who are not actively saving, the “Simpanan bajapuik” system is very helpful for them. This system allows any member who needs funding, to gain access to finance at a lower cost than other sources of funding. The uniqueness of the system attracts them to become customers, in addition to a sense of attachment as citizens of Nagari Pakandangan. The following is a statement from the Director of BUMNag,

*“...Not only is the deposit small, when making a withdrawal, there is also an administration fee. The fee is very light, meaning that it is more voluntary actually... for example [withdrawal] of Rp100,000, the administration is only Rp2,000, and on average many people exceed [paying the administration] ...” (Interview with Director of BUMNag)*

### **3.3. Planning for Emergency fund and financial risk management.**

Customers recognize that the “Simpanan bajapuik” savings system is very helpful in managing their finances. Therefore, for those who understand the benefits, they are more serious and consistent in saving. This is especially true for those who own a warung business, where the risk of future uncertainty from warung income is high. The amount of money they deposit is larger than that of customers who do not own a shop and only live at home.

*“... The lowest is Rp2,000, - ... the highest is Rp100,000, - usually those who save customers who have stalls, if the houses are Rp2,000, - up to Rp10,000., - “(Interview with one of the inactive customers of “Simpanan bajapuik”)*

Some community members also appear to be very disciplined with their savings. These community members use their savings only for specific needs, especially emergencies. For them, if the need can still be financed from other sources, then they will not make withdrawals from their savings. Even though the savings can be withdrawn by the account holder at any time.

Meanwhile, people in need of funding apply for loans with low interest rates to the BUMNag Savings and Loan Unit. In practice, BUMNag officials prioritize providing loans to customers who regularly make savings deposits. This is because this group of people has a lower financial risk than those who never (rarely) make savings deposits.

*“...Savings can be taken out when needed... but never taken out, because it is for costs in the fasting month. The fasting month usually needs to increase... so for fasting there is already a preparation fund... savings for a year have never been withdrawn... really used to prepare for the fasting month” (Interview with one of the inactive customers of “Simpanan bajapuik”)*

### **3.4. Social and cultural identity of local wisdom**

The social identity of an individual in a community is reflected in the local wisdom practiced by that community. In the context of “Simpanan bajapuik”, local wisdom practiced is the participation of community members in making voluntary contributions

that are daily for a common purpose. The culture of “Simpanan bajapuik” is usually practiced in a particular community, in a small number of members. These savings can be used for common purposes, especially for the benefit of account owners so that they have funds for certain purposes in the future. In addition, the savings funds collected can be distributed in the form of loans with low interest to community members in need. In other words, individuals will accept the policy of their leader (i.e. the Nagari government) regarding “Simpanan bajapuik” activities, and individuals will identify themselves as part of the Nagari Pakandangan community members in the form of their involvement as customers of “Simpanan bajapuik” savings.

The culture of “Simpanan Bajapuik” is usually practiced in a particular community and usually with a small number of members, making it easier for officers to pick up members’ savings deposits. The contributions are stored in the form of individual savings, and managed by BUMNag based on the values of trust, togetherness, and mutual assistance. These savings can be used for common purposes, especially for the benefit of account owners so that they have funds for certain purposes in the future. In addition, the savings funds collected can be distributed in the form of loans with low interest to community members in need. In other words, individuals will accept the policy of their leader (i.e. the Nagari government) regarding “Simpanan bajapuik” activities, and individuals will identify themselves as part of the Nagari Pakandangan community members in the form of their involvement as customers of “Simpanan bajapuik” savings.

“Simpanan bajapuik” in this context acts as a subjective norm in the Nagari Pakandangan community. People will be involved in “Simpanan bajapuik” activities because they perceive that their involvement is motivated by pressure from those around them. In addition, community involvement is also driven by individual evaluations of the goodness of saving habits. Thus, it can be said here that the participation of the people of Pakandangan Nagari in the “Simpanan bajapuik” activity built from local wisdom has become a social identity.

### **3.5. Multiple identity conflicts and inclusive identity solutions**

In social structures, societies are grouped into hierarchies related to the distribution of resources. The degree of distribution of resources can be seen from the economic status of individuals in the social structure. In the Nagari Pakandang community, people are classified as upper economic communities, middle economic communities and lower economic communities. Especially in the lower economic groups, economic limitations become the second identity for this group, besides the Nagari identity.



When faced with identity as a citizen of Nagari Pakandangan with its “Simpanan bajapuik” program, there is a conflict of individual dual identity. Although the “Simpanan Bajapuik” themselves are voluntary, they may feel caught between a feeling of attachment to their Nagari group and a state of severe economic pressure. This can generate internal conflicts that affect the emotional and mental well-being of the individual. If this is left unsolved, then the goal of BUMNag to create savings and loans units to improve community welfare will not be achieved.

The approach taken by BUMNag is to provide access to funding to residents from low economic groups in Nagari Pakandangan who are in need, even though they have not been able to be actively involved in the “Simpanan bajapuik” program. BUMNag managers integrate socio-economic identity and ethnic identity of the community. This means that as part of the Nagari Pakandangan community, people with low economies and in need of funding will be facilitated by BUMNag (both for personal needs and for business needs). This approach is known as inclusive identity, where community members understand and accept the identities of other members who are different or incompatible with their own. This approach is able to embrace groups of people who are in low economic groups. This system certainly involves voluntary participation. In other words, community members can accept diverse member identities from various dimensions, namely economy, ethnicity, religion, gender and others.

## 4. CONCLUSION

With the development of government efforts to improve financial literacy in the community, this study provides an understanding of the behavioral dynamics of individuals in a group involved in the program. One of the groups involved in this government program is the Nagari community through the “Simpanan Bajapuik” program implemented by the Nagari-Owned Enterprise (BUMNag). We found that there are dynamics of identity conflict in individual interactions between different groups. The “Simpanan Bajapuik” program is understood as a local wisdom that must be practiced by all Nagari communities. Based on this understanding, we also found that the “Simpanan Bajapuik” program has become a social norm in the Pakandangan Nagari community. Thus, social pressure drives the community to be involved in the “Simpanan Bajapuik” program. We also see participation in this program as a social identity for the Nagari Pakandangan community.

We also found that the category of people with very low income was not able to be actively involved in this program, so that the community was polarized into groups with

multiple identities and single identities. Groups with dual identities, which on the one hand feel themselves as part of the Nagari community - but do not follow the Social Norms, on the other hand feel themselves as part of the community who cannot afford it (poor community groups). However, we found that this program provides a solution to the dual identity conflict that occurs in the Nagari community.

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