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The transition of Urban Services in Villages in the Implementation of Branches Banking in Kulon Progo Regency

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Abstract. Economical services are found more in urban areas than those in villages. The same case is the ones related to banking services. The development of information and communication technology has made more sophisticated banking services. This can be proven with the existence of branchless banking in the form of e-banking, mobile banking, and ATM. New branchless banking services have been recently mushrooming in the form of agents that appear simpler. It is easy for villagers to access them since they are not well facilitated with e-banking, mobile banking, and ATM. This research is aimed at giving descriptions on the provision of services by agents and their use in villages and that it can be found out how far the transition of urban services in villages has taken place. The data are obtained by conducting a structured interview, doing observation, and identifying the existence of banking services. In fact, the result shows that the provision of banking services has been partly replaced by the existence of agents. The agents have attracted more and more villagers to make use of banking services. Therefore, it can be said that the development of information and communication technology has enabled the transition of urban services to take place in villages in the implementation of branchless banking services through agents.

1. Introduction

Economical services in banking field have made lots of progress in applying the development of information and communication technology. They were previously equipped with e-banking consisting of phone banking, SMS banking, and internet banking [4, 5, 7]. They are now, however, applying such advanced technology, that is mobile banking services. Nevertheless, it is only those who have internet and smartphone are able to access mobile banking services. What happens with those who do not have both? The presence of ATM has become one of the banking services replaces the existence of bank [5, 6, 7]. E-banking services, as well as ATM, are very beneficial for people in, particularly, money withdrawal, money transfer, payment for utility bills such as electricity, water, telephone etc. and that mobility, time, and cost can be made efficient [5, 6, 7].



Such services can be easily accessed by those living in cities. How about those living in the suburbs and villages? 2017 previously done research could identify the existence of agents that have been able to provide services as those accessed through e-banking and ATM. The result of the research shows that the services provided by agents are very beneficial to those living in the suburbs and villages [10]. Meanwhile, this 2018 research is focused on areas with a large number of agents and their benefits for clients.

Information and communication technology plays an important role in the improvement of information & knowledge, and community development as well in city planning [7]. The change of a more advanced era requires banks to make innovation as one of the strategies in improving their services to cover larger areas [2]. One of the strategies in banking services that need to be improved is branchless banking. According to CGAP (Consultative Group to Assist the Poor), branchless banking is one of the concepts in which a bank involves agents or other third parties to provide banking services given outside the bank office by making use of information and communication technology [3]. Meanwhile, another source explained that branchless banking is the use of technology like a cellular phone and bank cards to do financial transactions electronically for long distance according to [11]. Based on both concepts, it can be concluded that the concept of branchless banking is the use of resources from a third party commonly called agent to provide services for the financial transaction so that there is no need for clients to go to the bank. In another hand, e-banking and ATM are included in branchless banking.

Various techniques were adopted to increase financial inclusion, for example opening new branches to reach out customers in inaccessible places was one of the early measures that were adopted to increase outreach; however such an approach has not proved to be effective as the cost of establishing new branches is expensive and where it was established it failed to accommodate the needs of all segments of the society and thus has not attained financial inclusion. Another technique that was used to increase financial inclusion was introducing Branchless Banking (BB) which means delivering financial services outside conventional bank branches using Information Communication Technologies (ICTs) [13]. In some developing countries, especially in rural areas, many people do not have bank accounts or access to basic financial services [1]. This can occur for several reasons such as the presence of geographical, infrastructure, sociological and security factors [12].

Branchless banking is one of the efforts banks are doing to make their clients easy to do transactions. Branchless banking can be identified by the presence of agents found in several places. Branchless banking is able to spread banking services to people who are not facilitated with bank network and ATM, especially those living in villages where banks and ATM are rarely found. Branchless banking service is one of the innovations banks are making to provide their services for those living in areas where banks and ATM are still very limited. In this research, it will also be assessed how much the presence of the existing ATM and banks in villages play their role and their relevance to the existence and use of branchless banking. The result of this research is furthermore expected to be a consideration taken into the recommendation for the development of banking services in economic life in accordance with what people need.

2. Methods

This research is the continuation of the one previously done in 2017. In 2018 data updating was carried out by crosschecking the field, as well as identify the location of banks and ATMs that had affordability with the location of agents and customers. The chosen research location is the location with the highest density of agents identified in previous studies conducted in 2017. This paper only discusses the provision of branchless banking services and their benefits in villages represented by chosen subdistricts as the location for this research. They are villages in the sub-districts of Kalibawang, Lendah, Pengasih, and Panjatan that are all located in Kulon Progo Regency. The data collected are of primary ones and are obtained by doing observation, conducting a structured interview with agents and clients, and measuring the coordinates of the location where agents, banks, and ATMs

are found. Meanwhile, an accidental sampling technique is used to select respondents. This paper will further discuss the provision of services and the benefits of agents in villages. Furthermore, the map of the study area is shown in Figure 1.

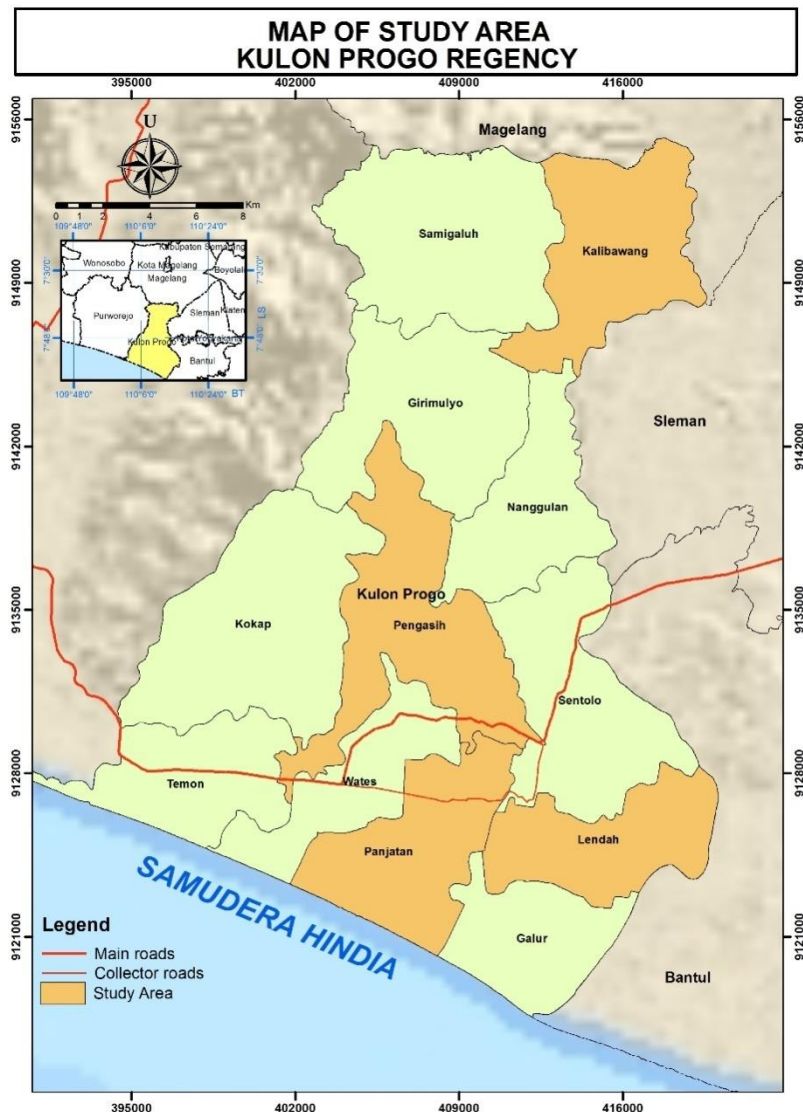


Figure 1. Map of Study Area

3. Result and Discussion

Kulon Progo Regency is located quite far from Yogyakarta city and therefore bank offices and ATMs are still rarely found. Such a condition enables to implement the concept of branchless banking services through an agent to be developed in rural areas which are lots of people do not have any bank account or access to basic financial services [1]. This is so because of several reasons, such as geographical, infrastructural, sociological factors and security [12]. It is the reason that encourages the people in villages to make use of branchless banking services more often. In the next discussion, it will be presented the condition that makes branchless banking services in villages be of primary importance to use.

In villages belonging to the sub-districts of Kalibawang, Lendah, Pengasih, and Panjatan in Kulon Progo Regency, the result of the 2018 research show that there are 27 agents in the areas, comprising 21 old agents and 6 new ones. Meanwhile, there were 19 clients found at the time of a survey. As shown in Table 1, the highest number of agents is found in the sub-district of Kalibawang. Two agents are found there. It is relatively not easy to access this subdistrict since it is relatively far from the city and topographically it is a hilly area.

Table 1. Comparison of the Number of Agents and Clients

Subdistrict	Agents	Number of Clients	ATM	Bank
Kalibawang	12	4	0	4
Lendah	6	6	1	5
Panjatan	6	6	0	3
Pengasih	3	3	0	5
Total	27	19	1	17

Source: Primary Data in 2018

Payment for electricity bill is a kind of transaction that is mostly done, that is 29% (Figure 2). Another kind of transaction that is also mostly done is saving, that is 22%. Meanwhile, the clients feel that it is easier for them to do the payment for the electricity bill and do the saving through agents than they do the same transaction in ATM or bank since it is far to reach, respectively 37% and 26% (Figure 3). Besides, because there is no minimum limit to save money, the clients feel free to save their money, no matter how much money they want to save. Thus, the result of a field survey shows that branchless banking services are able to replace the function of bank services in general. Besides, the presence of agents can in fact also be used to give help for distributing rice to the poor.

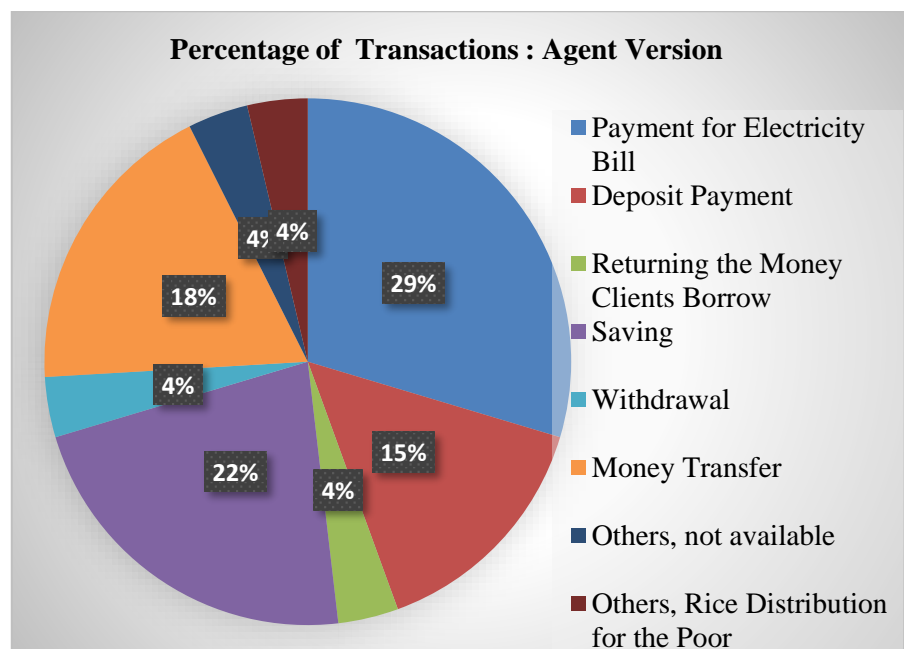


Figure 2. Percentage of Transaction according to Agent

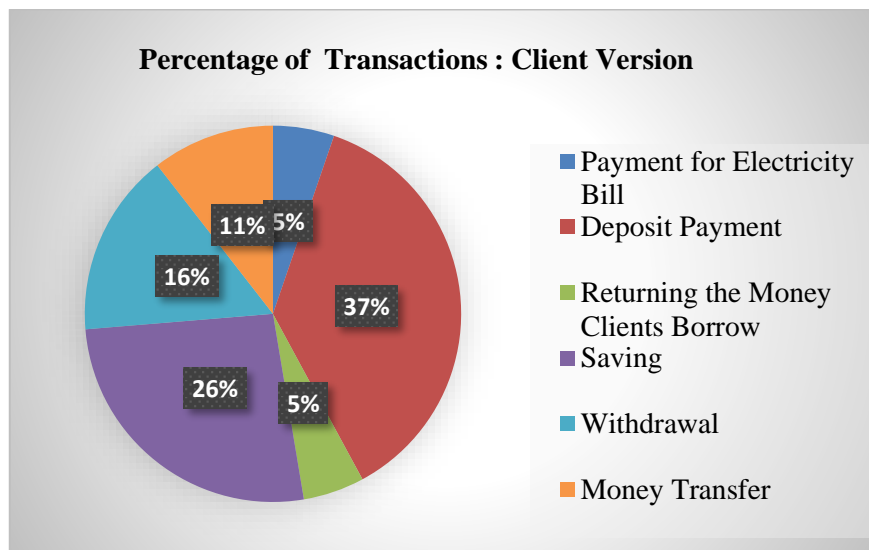


Figure 3. Percentage of Transaction According to Clients

The agents that mostly provide banking services are grocery stores, comprising 48% as shown in Figure 4. They are found on roadsides in villages. The agents found there are individuals who run businesses like a grocery store, livestock food, photocopying, nine-commodity shop etc. Meanwhile, there is one joint agent that is located in the same place as BUMDES. The presence of grocery stores and nine-commodity shops enables the villagers to use the agent for doing transactions as shown in Figure 3 while doing some shopping for their daily needs.

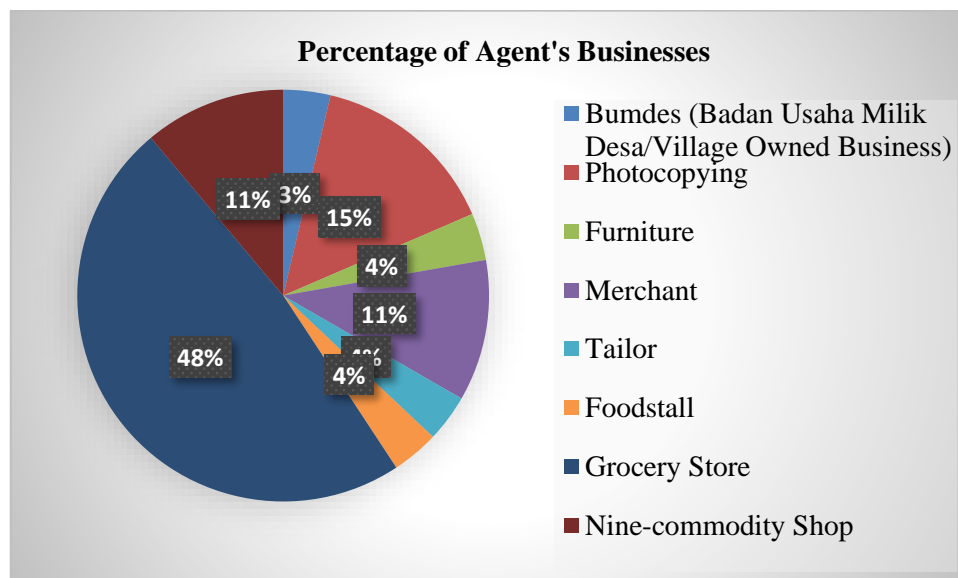


Figure 4. Percentage of Agent's Businesses

Because the people in those villages feel the importance of the presence of agents, several of them take an initiative to be an agent. As shown in Figure 4, 48% of the agents take their own initiative to be an agent. Meanwhile, 41% of the existing agents received an offer from the bank to be an agent. Several respondents reveal some statements quoted as saying:

"I myself sent the proposal to BRI to be an agent since BRI is not yet present in this area. Because there is a sand-mining company, becoming an agent can be a potential and that I

can facilitate those working for the company, especially related to financial matters.”
(Respondent 01)

“By becoming an agent, I hope I can attract more people to stop in my shop and do some shopping. Besides doing some shopping, they are also expected to do some transaction.”
(Respondent 02)

“I want to be an agent because I feel like running this business of my own.” (Respondent 03)

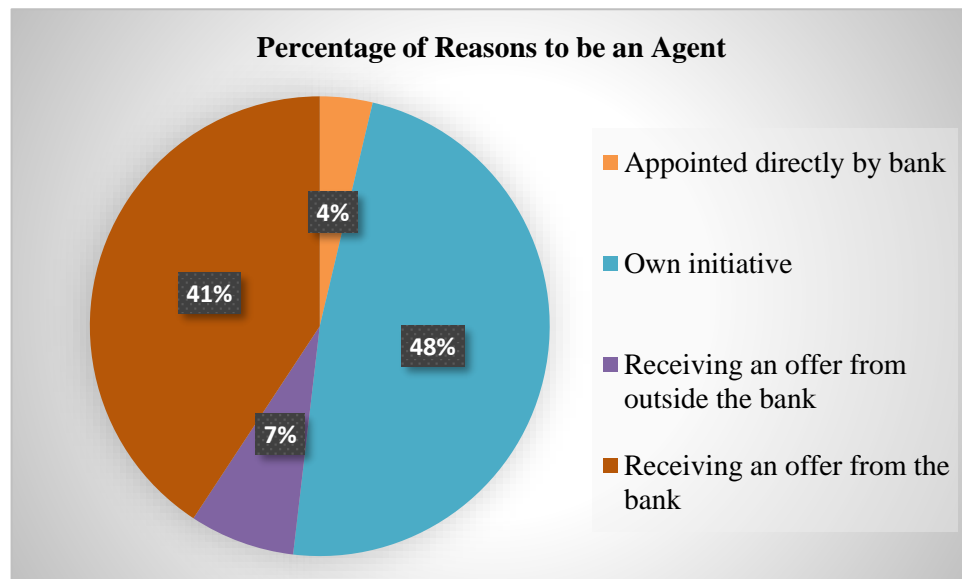


Figure 5.Percentage of Reasons to be an Agent

The result of a field survey shows that the profit an agent makes is mainly for increasing income, comprising 57%. Besides, by becoming an agent, he is expecting that his business is getting well known, comprising 23% as shown in Figure 5. In addition to those two purposes, there also some other benefits an agent want to get, for example getting clients, improving reputation, and some others. Nevertheless, an agent is also aware that running an agency business has to adapt himself to the age development, considering that there is a chance due to the absence of a bank in his area.

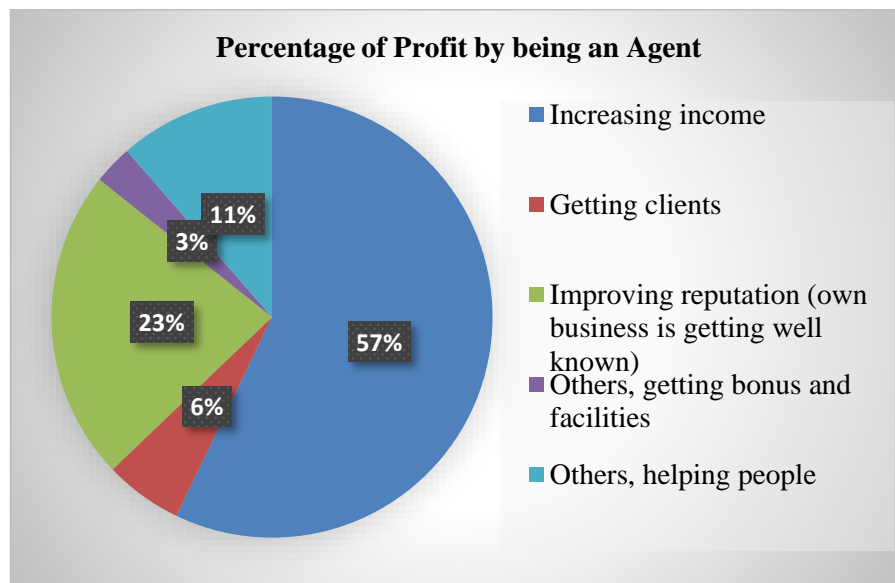


Figure 6.Percentage of Profit by being an Agent

Besides the benefits for the agent, clients can also get benefits from using branchless banking services provided by the agents. Figure 7 shows that clients get the benefit because the agent is close to their home so that it is cost saving, comprising respectively 21%. Meanwhile, 17% of the clients feel that they can save their time since there is no need for them to go to the bank office or ATM.

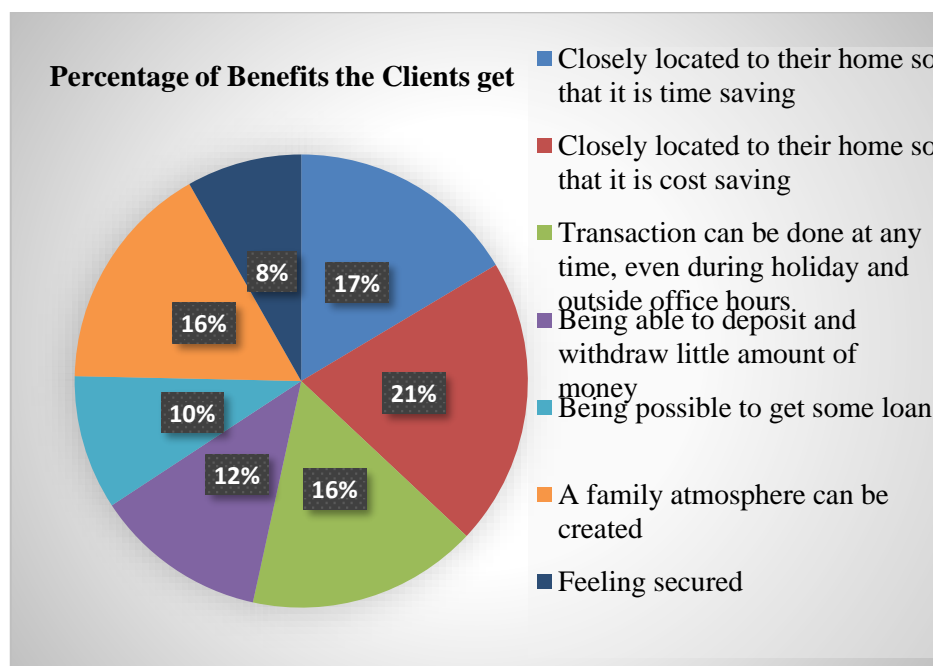


Figure 7.Percentage of Benefits the Clients get

The client's perception over the location of the agent is one of the important factors in using services from branchless banking. The agent makes it easy for the clients to access banking services since the agent is closely located to their home so that they can save time and cost. Because of this, the perception over the location of agent needs to be assessed to find out how feasible the location of the existing agents is.

The location of agents in villages is found on the side of main roads and in the middle of a village or settlement as well. Figure 8 shows that 53% of the clients feel that their home is closely located to the location of agents this shows that the function of agents in providing branchless banking in villages can be fulfilled.

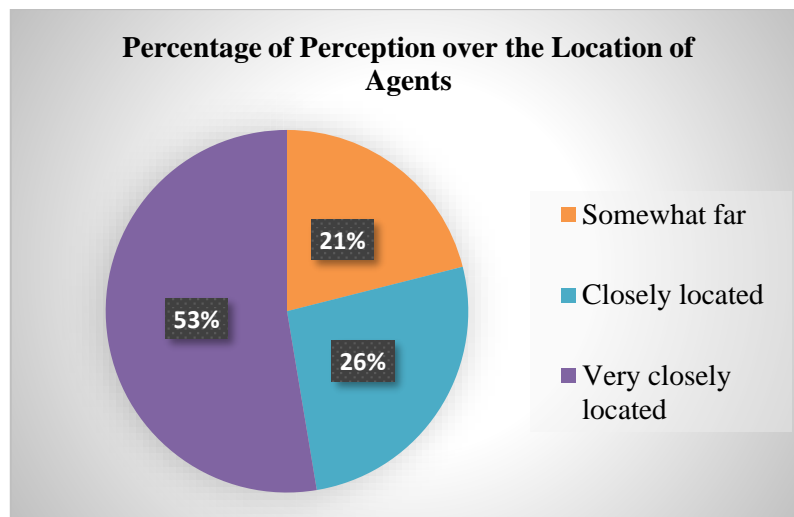


Figure 8. Percentage of Perception over the Location of Agents

4. Conclusions

The result of the research shows that the presence of branchless banking through an agent in a rural area can be replaced the function of bank services. This is in line with the functions of an agent in providing branchless banking services that can replace the services commonly provided by a bank office or an ATM, especially in areas where the presence of a bank office or ATM is still limited, unlike in urban areas. Therefore, the people in rural areas are made it easy to access bank services with the help of an agent.

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