

Strategies to Increase Capital Market Inclusion in North Sulawesi and Gorontalo

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Abstract

This study aims to identify possible problems in increasing financial inclusion and to find solutions and strategies to solve those problems. Theoretically, this research is expected to be able to add literature references on the capital market. Another benefit is that the study can be used as a material balance for a Self Regulatory Organization (SRO) and the Financial Services Authority (OJK) as the Government to increase the level of literacy and financial inclusion, especially in eastern Indonesia. In accordance with the paradigm and problems chosen in this study, this study uses a qualitative approach. In qualitative research, data collection can be done by means of in-depth interviews, observation and literacy studies. Researchers use this method to provide a wide space for the speakers to provide answers according to their frame of reference. Based on the results of interviews, it is concluded that there are several recommendations for strategies to increase inclusion, they are opening the Indonesia Stock Exchange Representative Office in Gorontalo, opening Securities Company Branch Offices more, introducing the Sharia Capital Market to the Community, prepare adequate resources for socialization and education and hold Events More Often in Crowded Places in North Sulawesi and Gorontalo.

Keywords: Capital Market Inclusion Rate, Indonesian Stock Exchange

Introduction

The capital market has a very important and vital position in the development of the Indonesian economy. The development of the capital market, the company's capital will run smoothly. This will have a wider impact on increasing people's income and equitable national economic development. Investment in the capital market is considered as an indicator that can put Indonesia on a par with developed countries. Indonesia is believed to be able to join the ranks of developed countries in the world if the capital market in this country develops by maximizing its potential. The capital market has an important role for the economy of a country because the capital market carries out two functions. First, it is functioned as a means of business funding or as a means for companies to obtain funds from investors. Second, the capital market is a means for people to invest in financial instruments such as stocks, bonds, mutual funds, and others. The capital market can also be interpreted as a place to place funds / buy an asset in the hope that the funds used can generate profits in the future (Black & Gilson, 1998; Reilly &

Brown, 2011; Downes & Goodman, 2014).

Investing in the Indonesian capital market is not only a big advantage that can be obtained, but also a big risk that must be faced by investors. In this era of globalization, almost all countries pay great attention to the capital market because it has a strategic role in strengthening a country's economic resilience. The Indonesian capital market is an emerging market which is very vulnerable to general macroeconomic conditions. Based on data from Indonesia's Central Securities Depository (KSEI) since July 2018 to September 2019 the number of sub-accounts in C-BEST is constantly increasing (see the Graph below). This indicates that public interest in investment in the Indonesian capital market continues to increase day by day. It was recorded that there were more than one million sub-securities accounts recorded up to September 2019 from data released by the Indonesian Central Securities Depository. From this data, we can see that there is an increase in the formation of securities sub accounts by approximately 200,000 compared to last year. The increase in the number of securities sub-accounts should be due to increased financial inclusion the significant development of the Indonesian capital market is not without gaps. There are many challenges that must be resolved by the Indonesia Stock Exchange to increase the level of financial literacy and inclusion. Disseminating information regarding the existence of the Indonesian capital market as an investment alternative is expected to be evenly distributed throughout Indonesia. According to research conducted by Wibowo (2018), the decision to invest in the capital market is significantly influenced by financial literacy and people's access to the capital market. This study is in line with the results of the author's team's observations on the investment climate in Gorontalo, especially investment in the capital market.

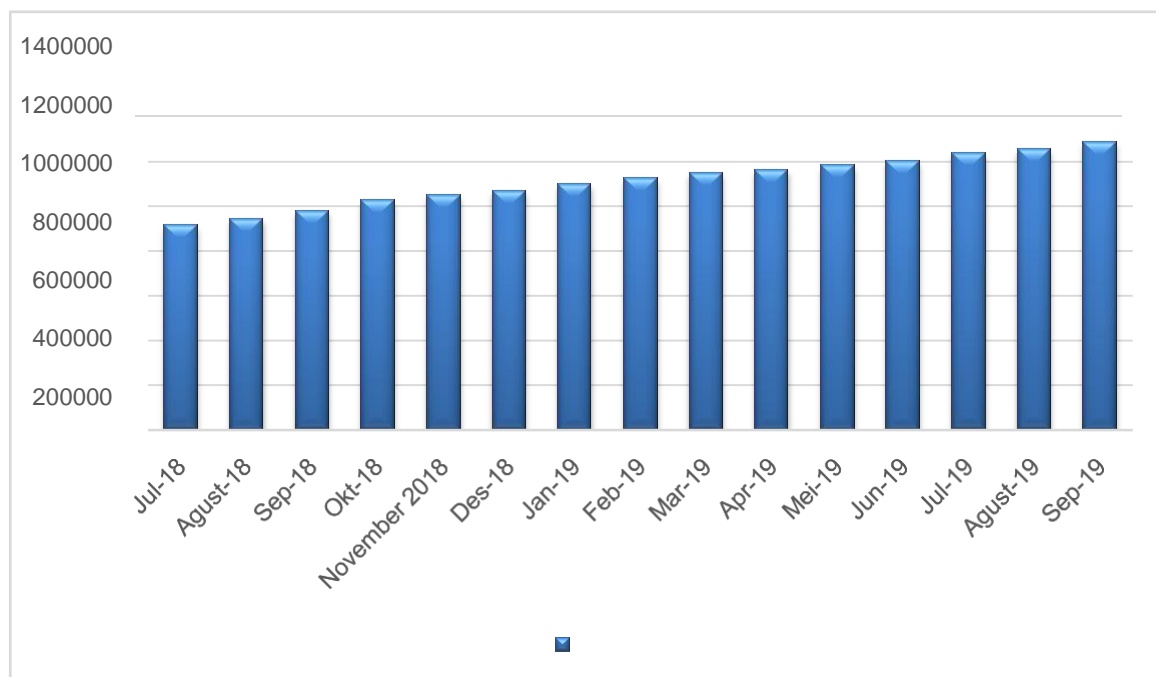


Figure 1. Graph of the number of SREs recorded at C-BEST

Source: ksei.co.id

In Gorontalo, there are more than 100 banks (branch offices / sub-branch offices / units) and other financial institutions, but none of them can be found with securities companies that sell specific capital market products as stocks. The people of Gorontalo are generally open to new things, but if facilities are not provided the public will be confused. About where can they go to get the information about investment in the Indonesian capital market.

The presence of investment galleries on campuses is deemed insufficient to accommodate this need for information. This is a major problem in Gorontalo, because there is no branch of the securities company that the community can directly visit to get the information about capital market, about stocks, obligations, or any other capital market instruments. The existence of galleries is not optimal as representatives of the Indonesian stock exchange and securities companies in Gorontalo. Investment gallery manager usually are a lecturer, whose main task is to carry out the Tri Dharma of Higher Education (teaching, research, and community services) and become a investment gallery administrator is only an additional task, with the priority scale being brought by Tri Dharma, so that relying on the investment gallery as a center for information, socialization and education of the capital market is not optimal. Plus the representative office which is far from Gorontalo (in Manado) means that socialization and education can be carried out optimally, only if the head of the representative office visits Gorontalo. The head of the representative office of the Indonesian stock exchange in Manado usually visits Gorontalo for education and socialization once a month. This will inevitably lead to imbalances between provinces where representative office are available and provinces where representative office are merged with other provincial representative offices.

Another thing that is thought to slow down the level of financial inclusion in Gorontalo is the unavailability of adequate resources for socialization and education. So far, so that the socialization and education can continue to be carried out, galleries and capital market study group University of Muhammadiyah Gorontalo maximizes the limited resources they have (the same as other IDX investment galleries). So it is still very difficult to reach areas that have not been touched by the socialization of investment in the capital market, such as Boalemo, Pohuwato and North Gorontalo districts.

The purpose of this study is to identify possible problems in increasing financial inclusion and to find solutions and strategies to solve those problems. Theoretically, this research is expected to be able to add literature references on the capital market. Another benefit is that the study can be used as a material balance for a Self-Regulatory Organization (SRO) and the Financial Services Authority (OJK) as the Government to increase the level of literacy and financial inclusion, especially in eastern Indonesia.

Research Method

In accordance to the research objectives, the paradigm used in this research is constructivist paradigm. The constructivist paradigm is a paradigm which is almost the antithesis of an understanding that places observation and objectivity in determining a reality or science. This paradigm views social science as a systematic analysis of socially meaningful action through direct and detailed observation of the social actors concerned creating and maintaining or managing their social world (Hidayat, 2003). Researchers use a constructivist

paradigm because researchers want to develop an understanding that helps the process of interpreting an event in order to build a constructive idea. In accordance with the paradigm and problems chosen in this study, this study uses a qualitative approach. In qualitative research, data collection can be done by means of in depth interviews, observation and literacy studies. Researchers use this method to provide a wide space for the speakers to provide answers according to their frame of reference.

This paper is prepared based on the results of observations about the environment and investment climate in Gorontalo, especially investment in the Indonesian capital market. The Indonesian stock exchange investment galleries in Gorontalo are always proactive in carrying out socialization and education activities on the Indonesian capital market to the people of Gorontalo. Gorontalo people respond to each activity held by the investment galleries differently. There are those who immediately understand the benefits of the existence of the capital market, but there are also those who have to be educated many times, some are skeptical of investment in capital market. Therefore, we chose the data collection method with the observation technique because we think this method is very suitable for use.

This paper is also prepared based on the results of depth interview conducted by interviewing the head of the University of Muhammadiyah Gorontalo investment gallery, the students of University of Muhammadiyah Gorontalo which is a young investor and the communities. The head of the investment gallery is the spearhead of every IDX investment gallery activity as well as the representative face of the IDX and securities companies in the regions, so it is very appropriate to conduct an interview with her. We also conducted interviews with students who were listed as general investors who had received simultaneous socialization and education from both the gallery and the Indonesia Stock Exchange or from other institutions as well as real players in the Indonesian capital market. We also interviewed the people of Gorontalo, both those who had attended socialization and education and those who had not received any education at all. Literacy studies are carried out by exploring some of the previous studies that have been conducted and to collect some data to get conclusions from theories that are relevant to the problem of increasing financial inclusion.

Data Analysis Technique

Qualitative data analysis is a form of analysis that does not use mathematics, statistics and economics or other forms. According to Creswell (2016: 260) data analysis in qualitative research will take place simultaneously with other parts of qualitative research development, namely data collection and writing findings. In this study, the data obtained will be analyzed using descriptive approach, the researcher describes the meaningful data that has been collected because we want to explore in detail, intensively and comprehensively the strategy of increasing inclusion of the Indonesian capital market.

Results and Discussion

Capital Market Inclusion

A survey conducted by the financial services authority regarding the level of financial inclusion based on the financial industry sector between 2013-2016 shows that the capital market

inclusion rate is very low at 0.11% in 2013 and only increased by 1.14% in 2016 to become 1, 25%. This figure is classified as very low compared to the financial inclusion index of the banking, insurance, financial institutions, pawnshops, and even compared to pension fund inclusion.

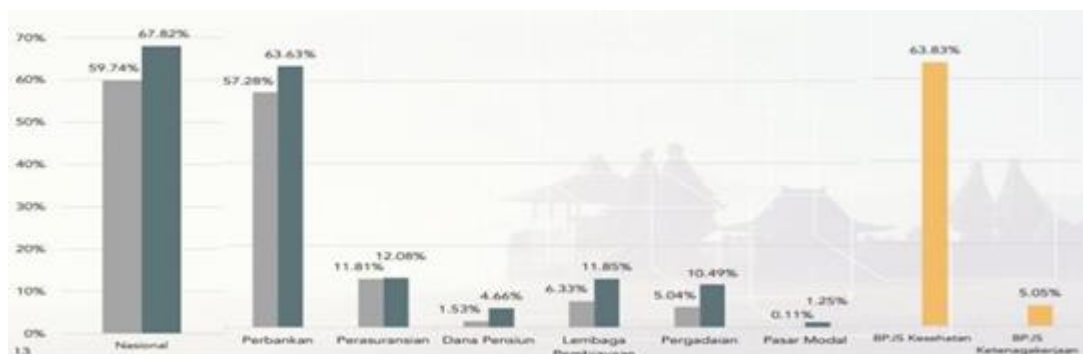


Figure 2. Capital Market

Source: ojk.go.id

If you look at the provincial financial inclusion in the provinces of East Kalimantan (74.91%) and Bali (76%). The strategy to increase capital market inclusion is urgent, considering that in North Sulawesi and Gorontalo, it is common to target fraudulent investment actors, so to minimize this, financial inclusion must be increased.

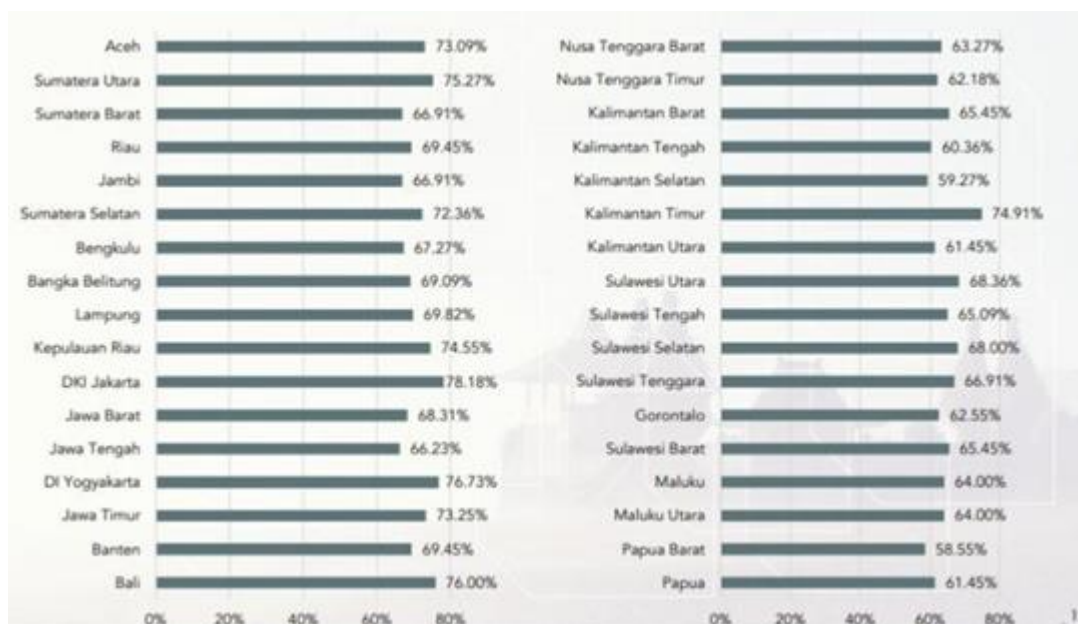


Figure 3. Provincial Financial inclusion

Source: ojk.go.id

Interview Result

Based on the results of interviews from various competent informants of capital market players who are active in socialization and education activities or capital marketplayers who

are not active in socialization and education activities, it is concluded that there are several recommendations for strategies to increase inclusion, they are : (a) Opening the Indonesia Stock Exchange Representative Office in Gorontalo. (b) Opening Securities Company Branch Offices. (c) Introducing the Sharia Capital Market to the Community. (d) Prepare adequate resources for socialization and education. (e) Hold Events More Often in Crowded Places.

Implementation of the Proposed Strategies

Opening the Indonesia Stock Exchange Representative Office in Gorontalo, We propose to first open an IDX representative office in Gorontalo because the main reason is public trust. Based on our observations during the socialization and education activities so far, the socialization and education activities will run much more effectively if we present the SRO element. Collaborative education between investment galleries and the Indonesia Stock Exchange is much more desirable than socialization and education that only involves investment galleries. It cannot be denied that the public knows the IDX better than the IDX investment galleries. The IDX is a capital market icon, so its presence will increase the level of public trust in the investment products offered.

Opening Securities Company Branch Offices. After opening an IDX representative office, it is mandatory to be followed by branch offices of the securities company to accommodate opening account. With the opening of branches of securities companies in the regions, socialization and education activities can be better scheduled and routine. Thus, the capital market financial inclusion rate can increase. Introducing the Sharia Capital Market to the Community. Gorontalo is an area of the porch of Medina and an area known by the motto "custom united by SARA ((Tribe, Religion, Race and Intergroup), SARA united by the Holy Qur'an" means "tradition based on religion, religion based on the Al-Quran", so the assumption is that the Islamic capital market tends to be more well received, compared to conventional capital markets.

Prepare Adequate Resources for Socialization and Education. So far, funds have been available for socialization and education, but the scheme may need to be changed. Sometimes socialization activities have been carried out, but not many people are interested in investing or opening accounts because they are still in doubt. In our opinion, education is needed in a structured, systematic and massive manner, education needs to be carried out continuously (not just once) so that the public can get a more comprehensive explanation of investment in the Indonesian capital market. With the existence of adequate socialization and education resources, it will be easier to reach areas that have not yet been touched by information on investment in the Indonesian capital market.

Hold Events More Often in Crowded Places. Events such as investing, buying shares together, investor gatherings, etc. should be held in open places where the public can see directly the existence of the Indonesian capital market. Apart from being able to bring together Indonesian capital market investors, the event is also a covert promotional tool which is carried out elegantly.

Conclusion

The people of North Sulawesi and Gorontalo are generally open to new things, only the supporting facilities for the public to access information about investment in the Indonesian capital market are inadequate. On the other hand, the presence of investment galleries on campuses is deemed insufficient to accommodate the need for this information. The absence of representative offices and branch offices of securities companies is believed to be the main cause of socialization and education which does not have a significant impact on increasing financial literacy and inclusion. Another thing that is thought to slow down the level of financial inclusion in Gorontalo is the unavailability of adequate resources for socialization and education. To access other districts which are located far from urban areas, requires a lot of socialization and education resources such as competent person or professional and funds.

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