

Financial Inclusion Development Policy in Indonesia

Banking Research and Regulation Department



Outline

1

- **The Financial Inclusion Background**

2

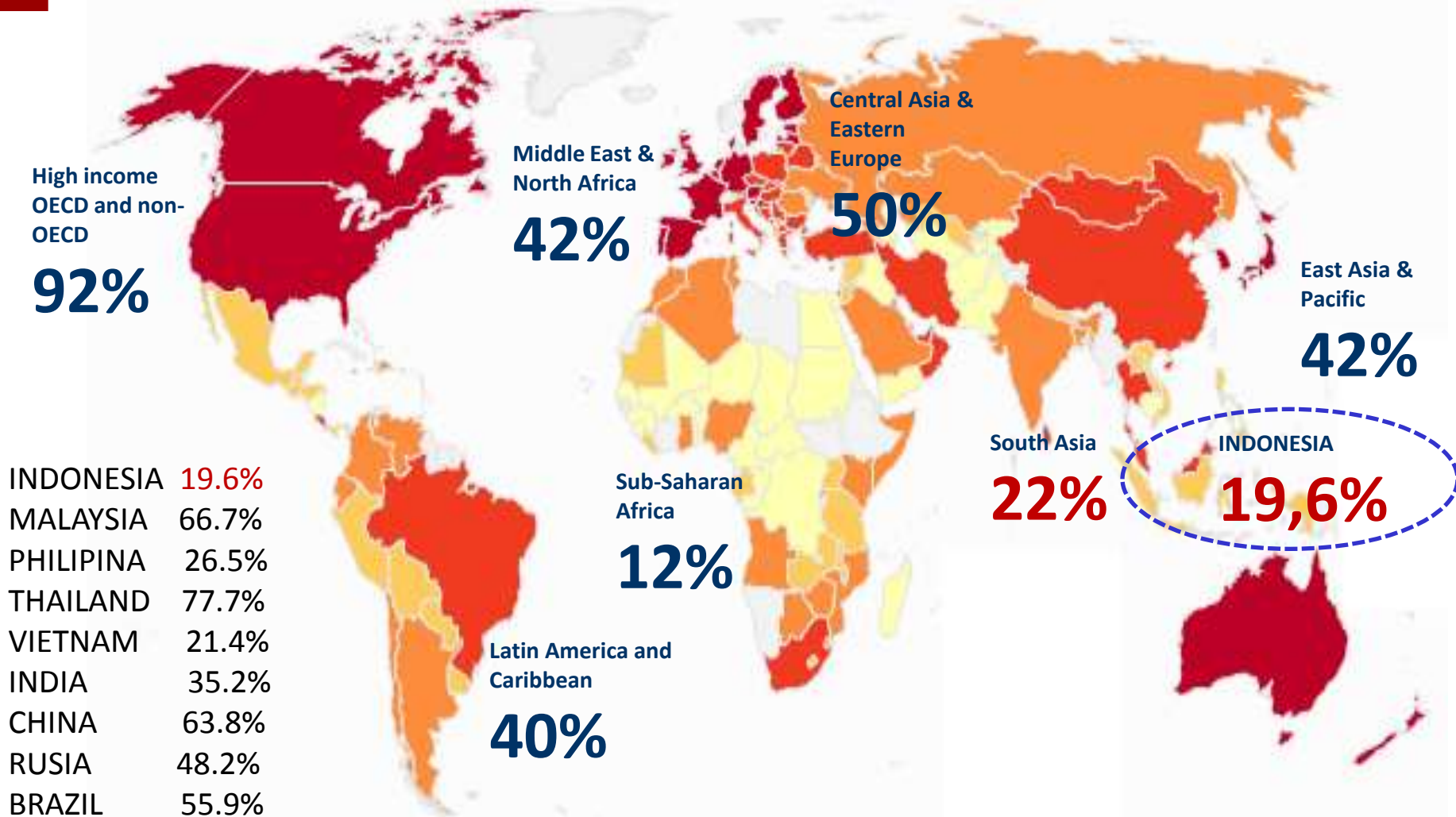
- **The Financial Inclusion Policy Framework**

3

- **The Financial Inclusion Implementation Program**

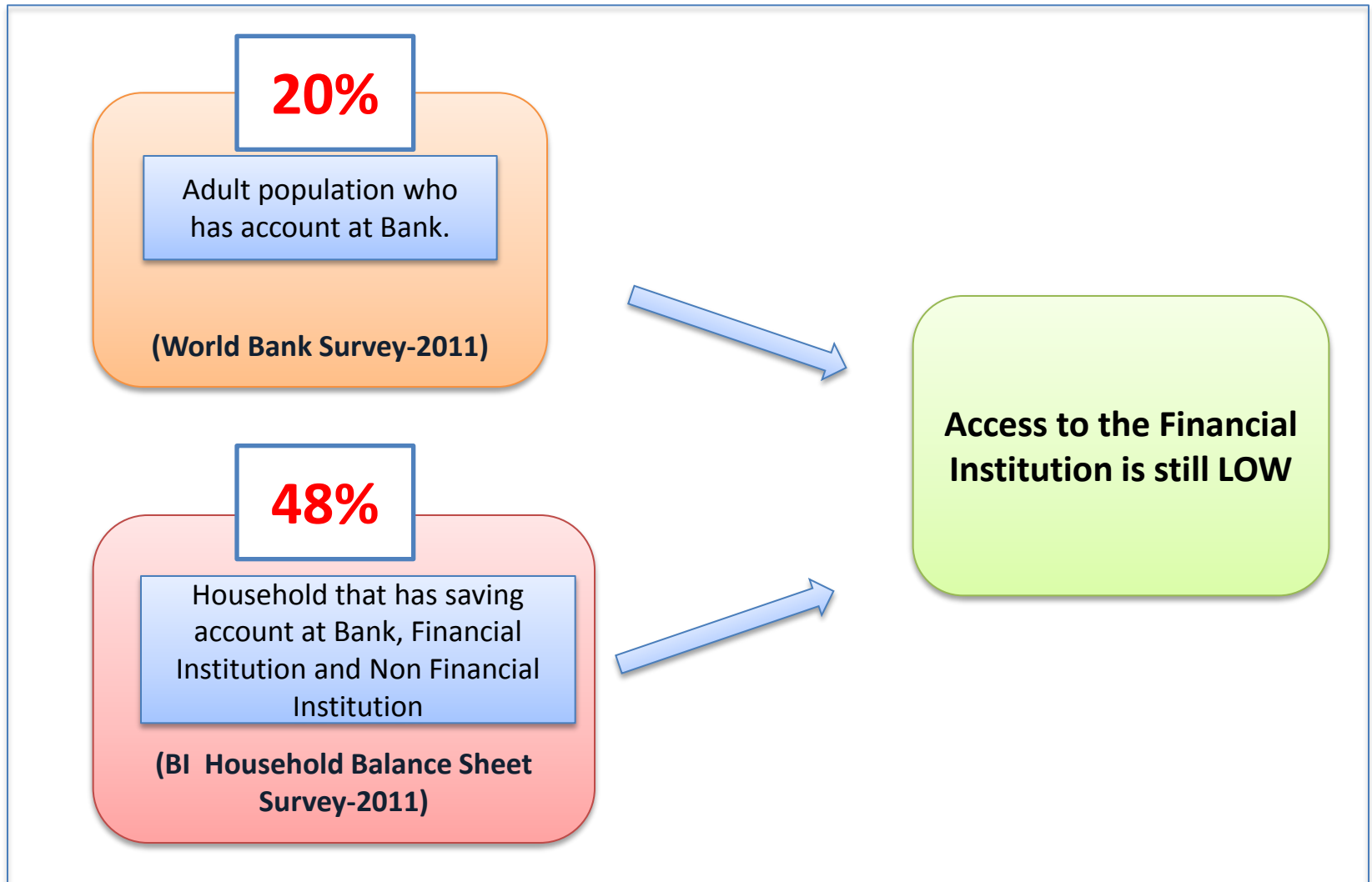
Higher Unbanked

Financial Inclusion Index → Adult has account in formal financial sector



Source : Worldbank, Global Financial Inclusion Index 2011

Access to the Financial Institutions

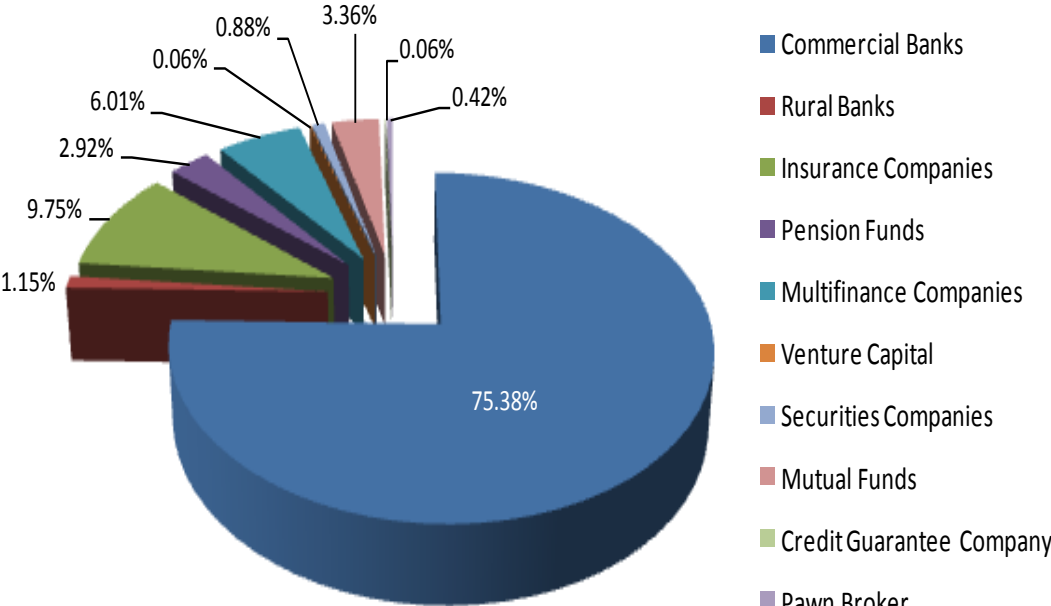


Financial Sector

- The financial sector is highly concentrated
 - Dominated by banks (most profitable, with low levels of intermediation).
 - Growing capital markets, but are still concentrated.
 - Penetration of Pension funds, insurance, and other Non Bank Financial Institution is still low.
- “More inclusive Indonesia” is a policy objective for the country
 - Less than 50% of the population has access to banking services.
 - Less than one-fifth borrows from the bank.
 - Access to risk management is quite low. (pension fund, insurance)
 - Plenty still has limited means to smooth consumption.
- Access to financial products and services is a way to achieve just, developed, prosperous and sustainable Indonesia.
- A National strategy is needed to continue, develop, coordinate financial inclusion programs by the key performance indicator, responsibility and strong commitment.

Indonesian Financial Institution Condition

Market Share of Indonesian Financial System



NUMBER OF FINANCIAL INSTITUTION	
Commercial Banks	120
Rural Banks	1.669
Insurance Companies	139
Pension Funds	270
Multifinance Companies	194
Venture Capital	86
Securities Companies	129
Mutual Funds	639
Credit Guarantee Company	4
Pawn Broker	1







Source: BI and Related Ministries

Banking Services Distribution



Low access to banking financial services in East Indonesia.

High access to banking financial services in Java and Bali

	Economic growth	Banking Financial Services (Loan and Saving)	Criteria
	High	High	Underbanked
	High	Low	Low equilibrium banked
	Low	Low	Middle equilibrium banked
	Low	High	Overbanked 1
	Low	High	Overbanked 2 (Jawa, Bali)
	Low	Very High	Overbanked 3 (DKI Jakarta)

Source: SEKDA-Bank Indonesia and Statistic Indonesia 2011, data processed,

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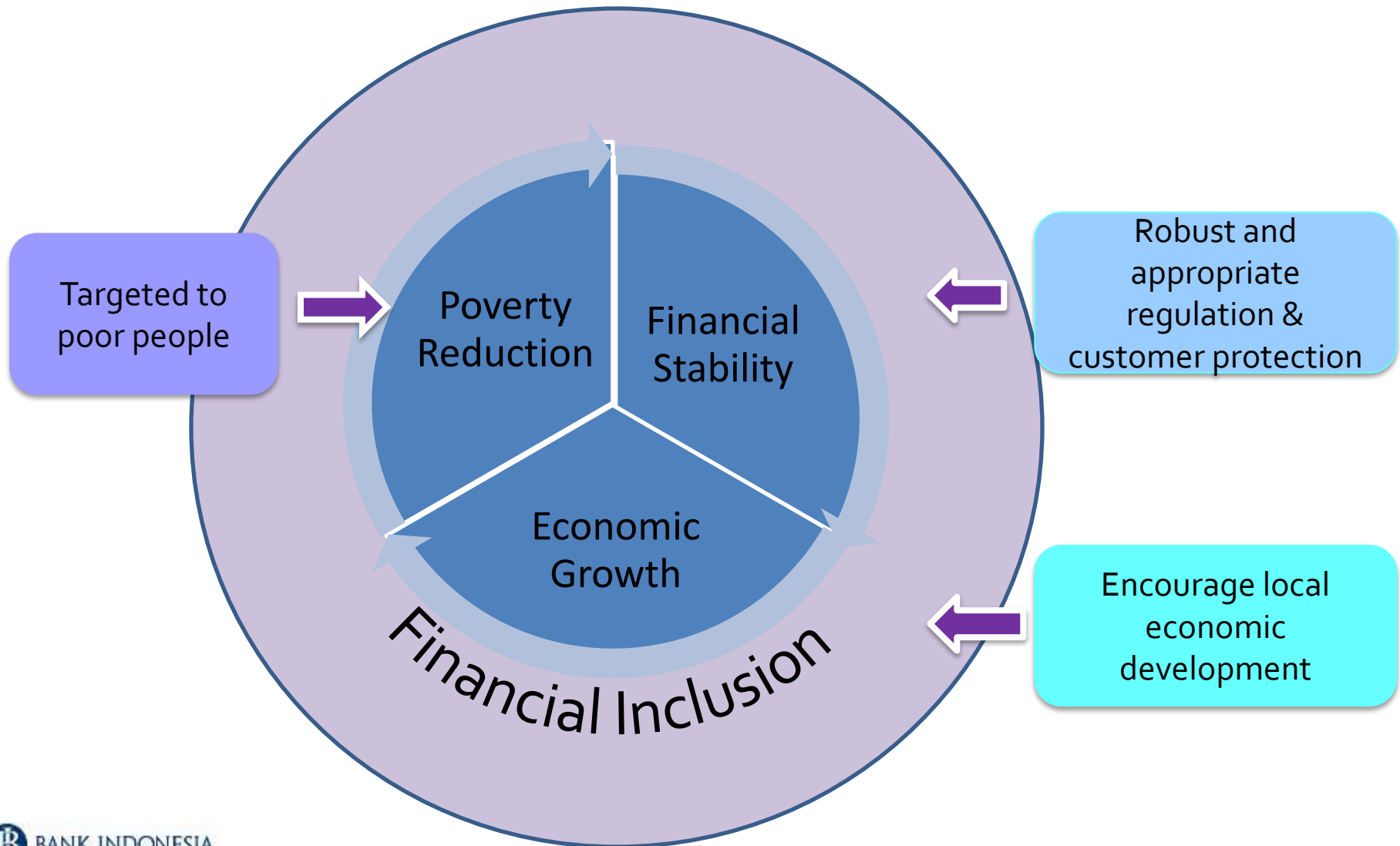
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Financial Inclusion Strategy

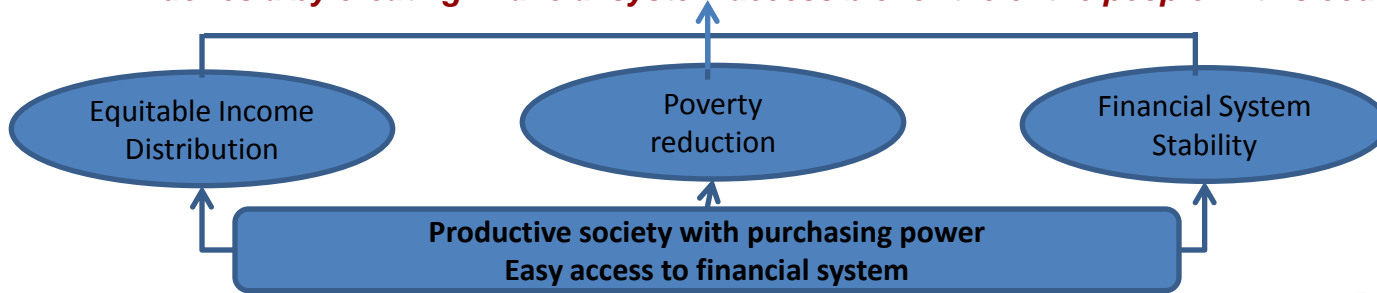
The Strategies are designed with the consideration of appropriateness that will support the following three components:



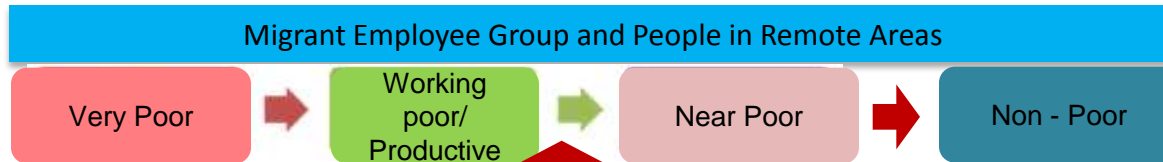
Financial Inclusion Framework

To reach economic welfare through poverty reduction, income distribution, and financial system stability in Indonesia by creating financial system accessible for the entire people in this country

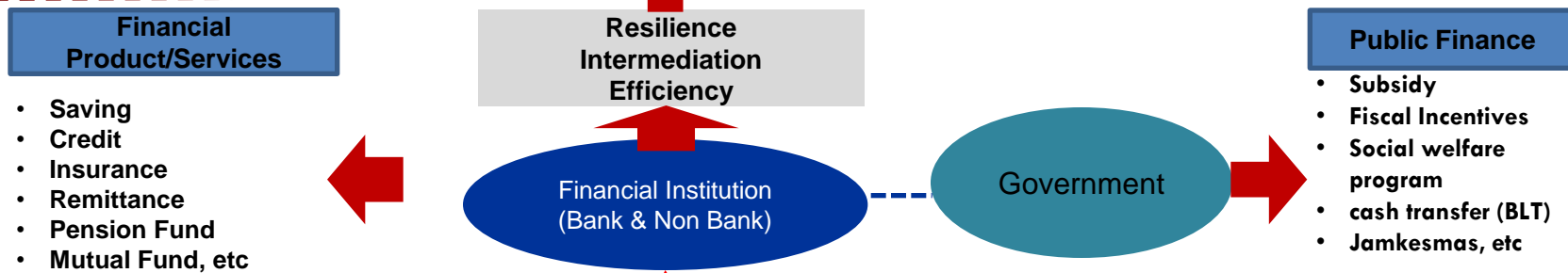
Main :
Goal



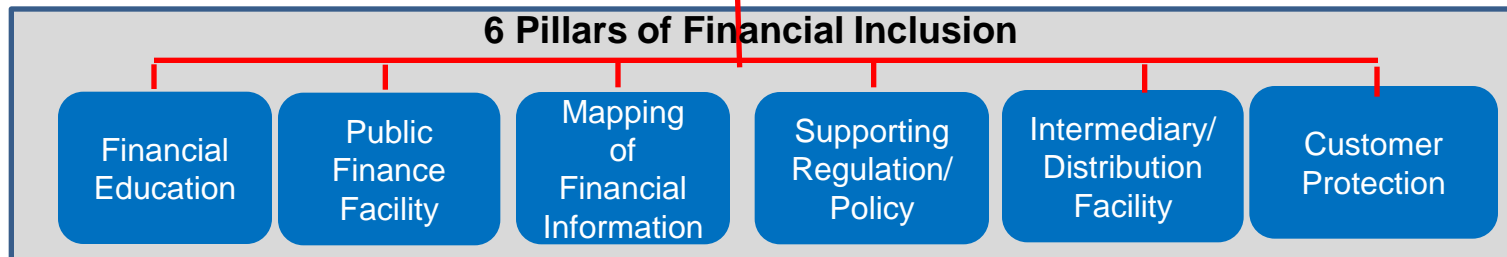
Target
Groups



Channel



Strategy



Program

- Education (migrant worker, people student)
- National Campaign
- PKH
- Jamkesmas
- BLT
- Bansos
- *Financial Identity Number (FIN)*
- Credit Rating
- Multilicensing
- branchless banking
- "Start-up" credit
- Banking customer mediation
- Product transparency

National Strategy Supporting Graduation

Pillars and Targets	Migrant worker groups and society groups in remote Areas			
	Very Poor	Productive Poor	Near Poor	Non-Poor
Financial Education	Tabunganku	Financial Education for Society (students, TKI, and public) Campaign to increase the culture of saving Financial Literacy Survey Mini website (specific for customer information and education)		
Public Finance Facility	Social assistance, in the form of Family Hope Program (PKH), School Operational Assistance (BOS), Community Health Insurance (Jamkesmas), and the Rice Subsidy (Raskin): Increase the funding accessibility for society Improve the availability of basic needs at affordable prices Reduce the expenses for basic needs of the poor Empowering society through increased society participation in development activities Empowerment of Micro and Small Enterprises: Provision of SME Credit Guarantee Scheme, including KUR Provision of Revolving Fund for Productive Activities in Micro Scale Empowerment of Economic, Social, and Cultural for Entrepreneur of Fisheries and Coastal Communities Rural Agroindustry Development Development of Transmigration Area and Integrated Independent City National Program for Society Empowerment (PNPM): Family and Poverty Empowerment Through Improved Business Skills Urban Poverty Reduction (Urban PNPM) Improved Society Empowerment and Rural PNPM Rural Infrastructure Development Acceleration Rural Agribusiness Development (PUAP) Accelerated Development for Remote Area			
Financial Information Mapping	Financial Identity Number Credit Rating Agency for MSMEs Credit Information Bureau MSMEs Database			

National Strategy Supporting Graduation

Pillars and Targets	Migrant worker groups and society groups in remote Areas			
	Very Poor	Productive Poor	Near Poor	No Poor
Policy/ Regulatory Support	Branchless Banking Policy			
Intermediation facilities & Distribution		Land certification Mobile Financial Services Remittance Operations (KUPU) Branchless Banking Regional Credit Guarantee Board(LPKD) Start up credit APEX Bank Linkage Program Program of economic clusters Financial Consultant Partner Bank Program Lending Model dan Baseline Economic Survey		
Customers Protection	Product Transparancy Special unit handling customer complaints Banking Customer Mediation Customer Education			

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Financial Inclusion Implementation Program

Financial Education

2012

- **Education for Students**
Financial education be a part of curriculum for elementary, junior high, senior high school in some pilot project schools
- **Education for TKI**
Give financial education for TKI
- **National Campaign**
Saving day campaign supporting banking industry
- **Financial Literacy Survey**
Do in 5 areas

2013

- **Education for Students**
Financial education be a part of curriculum for elementary, junior high, senior high school in West Java Madrasah schools
- **Education for TKI**
Financial education for TKI and be based on TKI training modules
- **National Campaign**
Optimize the national campaign
- **Survey Financial literacy**
Do the survey results

Mapping of Financial Information

Financial Identity Number (FIN)

- Data collection for unbanked people through a comprehensive and baseline survey
- Development of FIN Information Systems

Financial Identity Number (FIN)

- Data collection for unbanked people through a comprehensive and baseline survey
- Improvement of FIN Information Systems

Policy/Regulatory Support

- **Regulation of Multi-licensing for banks**
To improve the effectiveness of banking operation

- **Branchless Banking Guiding Principle**
To support the implementation of branchless banking

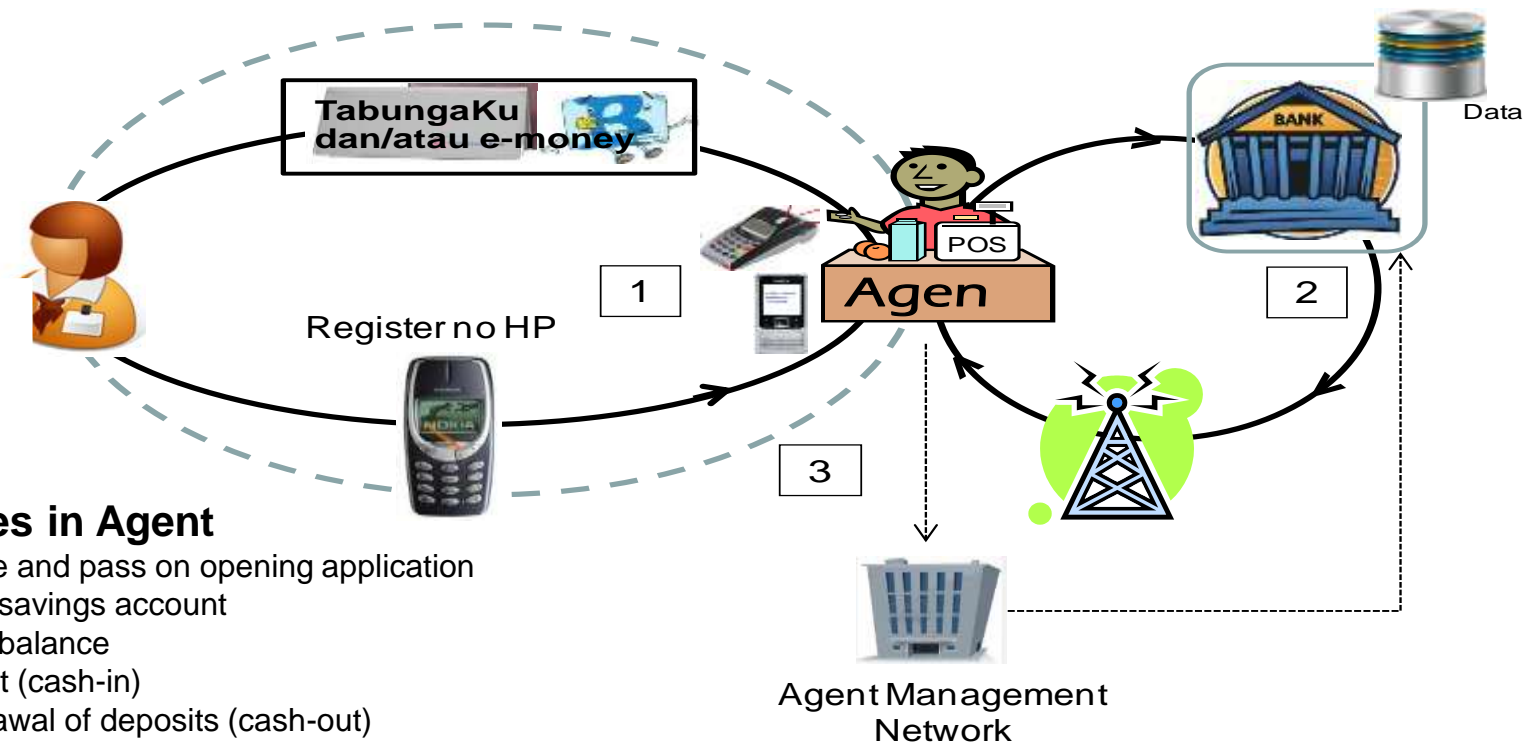
Implementation of Financial Inclusion Program

Intermediation
and
Distribution
Facilities

2012	2013
<ul style="list-style-type: none">• TabunganKu National Campaign of TabunganKu Survey of TabunganKu• Branchless Banking Finalization of Branchless Banking concept• Start-up Credit Tailoring the generic model of “Start- Up” credit	<ul style="list-style-type: none">• TabunganKu National campaign of TabunganKu Survey of TabunganKu• Branchless Banking Implementation of Branchless Banking Project pilot in 8 provinces• “Start-Up” Credit Finalization of “Start-Up” credit concept

Branchless Banking

Activities of payment system and limited financial services conducted not by means of physical office bank presence, but by means of technology and/or third party services primarily to serve the unbanked people



Activities in Agent

- receive and pass on opening application of the savings account
- check balance
- deposit (cash-in)
- withdrawal of deposits (cash-out)
- Remittance / money transfer
- Payment outlet for government programs
- Disbursement of fund on existing credit account.
- activities that involves information gathering (e.g. prices of agricultural products)
- Education
- Dispute handling

Product:

1. E-money
2. Savings account
3. E-money link with savings account

