Facts About Access to Finance in Indonesia and the Importance of Financial Education

Bank Indonesia’s Commitment on Financial Education

Financial Education Experiences in Indonesia

Evaluation: Key Challenges and Success
Indonesia at Glance

- More than 13,000 islands
- Population: ± 237 million
- GDP per capita Dec 2011: USD 3,542.9
- Banking industry covers ± 77% of assets in financial sector
- Number of financial institutions:
  - Commercial banks: 120 banks (14,820 bank offices)
  - Rural banks: ± 4,194
  - Cooperatives: ±187,598
  - Microfinance institutions: ±600,000 (incl. non-formal institutions)
- One bank office serves 12,096 people
Only 20% of adults have account at a formal financial institutions.

Source: Worldbank, Global Financial Inclusion Index 2011
Access to Finance for Poor

NATIONAL

- 83% served
  - 52% served by formal institutions
  - 17% underserved

LOW-INCOME HOUSEHOLDS

- 61% served
  - 52% served by formal institutions
  - 39% underserved

Source: World Bank, 2010

- Low-income households get fewer services than others.
- Low-income household is also usually correlated with low level of education.
60% adults in Indonesia have access to credit. But, most of them comes from informal institutions.

68% adults in Indonesia have access to saving, most of them served by banks.
29% Indonesian did not have insurance because they don't have knowledge about insurance products.

Source: World Bank, 2010
Higher level of education means higher awareness to use financial products. Since there are lack of knowledge and awareness to use financial products, financial literacy becomes important and can only be acquired using financial education.

Source: World Bank, 2011
Outline

1. Facts About Access to Finance in Indonesia and the Importance of Financial Education
   - Bank Indonesia’s Commitment on Financial Education
2. Financial Education Experiences in Indonesia
3. Evaluation: Key Challenges and Success
Sound, strong, and efficient banking system to create financial system stability for promotion of national economic growth

Relationship between consumer protection and financial education

Increasing Financial Education:
- Able to manage their financial better.
- Protect from engaging in unfair practices of financial institutions.
- Self confidence to engage in financial activities.

Increasing customer protection

Creating stability in banking sector
Financial Education is also a part of Pillar 1 of Financial Inclusion
Aims Of Policy and Regulation Towards Financial Inclusion

Policy and Regulation of Financial Inclusion

Improve Financial Literacy

- Financial Education
- Transparency on characteristics of Financial Product & Services;

Improve Public Access

- Robust consumer protection
- Creating a credible database of “unbanked” individuals: Financial Identity Database
- Promoting banking intermediary to microfinance as a step stone to the “unbanked”
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Outline
BI’s Financial Education Program

PROGRAM

2007:
- Issuance of Blueprint for Public Education in Banking
- Establishment of working group on public education in banking to implement the blueprint

2008

2009
- BI campaign programs on financial education: 3P = Whatever the product, Remember 3 Ps: Ensure Benefits, Understand the risk, Consider Costs”

2010
- Launching of “Indonesia Saving Campaign” and basic saving product: TabunganKu

2011
- Integration of financial education in elementary and junior high school curriculum (pilot project)
- Extension of information access (enhancement of BI’s website with consumer education and information)
- Financial Education for Migrant worker
National Campaign in Banking Education

**PURPOSES**

- Introduce bank’s products & services with its characteristics (benefits, risks, charges, rights & obligations) as part of financial education
- promote intermediary function of banks
Integrated National Campaign Channels in Banking Education

Above The Line
- Public Service TV Commercial
- Art Show
- Radio
- Newspaper
- Promotion
- Public Relation

Below The Line
- Branches
- Education Car
- Signage
- Brochures
- Posters
- Uniform
- Websites
- ATM

(Let’s Go to The Bank!)
"Whatever the product, Remember 3 Ps: Ensure Benefits, Understand Risks, Consider Costs“

**PURPOSES**

- to educate people to understand the benefits, risks, fees and rights and obligations before the customer decides to use banking products
- to eliminate asymmetric information between customers and banking.
Indonesia Savings Movement was launched on February 20th 2010 by the President.

**PURPOSES**

- To increase the marginal propensity to save in Indonesia
- To increase domestic funding
- To build saving culture of Indonesian peoples
TabunganKu

Main features

- No monthly administration Fee
- Low initial deposit (only Rp20.000/± USD 1.8 for commercial banks and Rp10.000/ /± USD 0.9 for rural banks)
- Low interest rate

TabunganKu Car

- One of service channel is TabunganKu Cars. These car operates in some places as center of public crowd such as schools, markets, office buildings, residential areas, etc
- It was funded by banking industry

Achievement of TabunganKu

As per August 2012:

<table>
<thead>
<tr>
<th>Numbers of account</th>
<th>Value (Rp Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,667,897.00</td>
<td>2,778,576.29</td>
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Channels of Banking Education Champaign

**Education Car (MOBED)**
- MOBED gives education through books and internet facilities which is available in car.
- MOBED visits some places as center of public crowd such as schools, markets, housing complex, office buildings, etc.
- MOBED is conducted in Jakarta & surrounding areas, as well as in other 6 major cities (Medan, Bandung, Semarang, Surabaya, Denpasar & Makassar)

**Websites**
- Information can be seen on Bank Indonesia’s website and members of banking education working group’s website

**Brochures**
- 48 kinds of brochure concerning 6 topics
  - Banking institution
  - Customer complaint and mediation
  - Saving and investment
  - Loan
  - Banking services;
  - Other informations, including “Tips to address the global financial situation”
Preparing the academic paper

Preparing the integration and teaching strategy of financial education in Social Science Subject.

Workshop on financial education module and Training of Trainers

Preparing financial education module in extracurricular activities.

Introducing the program in 6 provinces as pilot project

Introducing 72 school as pilot project (first step)

Preparing the monitoring instrument

Financial education program in academic year 2011-2012

Monitoring activities:
Monitoring the implementation in the school’s partner and observe the level of financial literacy level for students.
Steps:
- Interviews
- Questionnaire;
- Observation.

Next agenda:
- Revision of the material
- Involving local banks participation in extra curriculum activities
- Expanding school partner for pilot project.
Financial Education to Migrant Workers

1. Migrant Workers Candidate
   - Departure fee:
     - Saving
     - Bank’s Credit

2. Working Overseas
   - Saving
   - Remittance
   - Credit payment

3. Back to Indonesia
   - Indonesia Successful Migrant Workers

Small Business Loan of Indonesian Migrant Workers

Small Business Loan

Enterprises
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Key Challenges

Creative method to deliver material due difference in level of education of target audiences

Enhance the Coordination among related institutions to have a structured and continuous program

Budget sharing among institutions

Sustainability of campaign
Coordinating among institutions is the main problem. It takes more than a year to establish The National Strategy for Financial Inclusion, in which financial education becomes part of it.

Implementation of financial education for banking sector has been referring to The Blueprint on Public Education in Banking. However, there are problems on coordination & budget sharing among institutions.

Review would be needed in near term to address challenges and obstacles in implementing financial education.
Key Success

• Key success factors in implementing public education in banking are:
  ✓ Build the sense of ownership
  ✓ Establish the commitment
  ✓ Gain the endorsement
  ✓ Create a single theme for a certain period
  ✓ Sustainable improvements
Building Strategic Network Among Related Institutions

Coordination by **Joint Program with other stakeholders** such as Ministry of National Education, Ministry of Internal Affairs, Ministry of Cooperatives and SMEs, Ministry of Social Affairs is needed to expand financial access.

**Financial Authorities**
- Facilitate and build a conducive situation for financial institutions to carry out their duties as intermediary institutions as well as facilitating financial education

**Financial Institutions**
- To do intermediary function.

**NGO**
- To accelerate the process of educational activities that directly touch the major problems
THANK YOU