

# FINANCIAL INCLUSION **insights**

APPLIED RESEARCH FOR  digital financial inclusion

## INDONESIA

### QUICKSIGHTS REPORT FII TRACKER SURVEY WAVE 3

Fieldwork Conducted September through November 2016

December 2016



BILL & MELINDA  
GATES *foundation*

## INDONESIA

### Key definitions

**Access** – Access to a bank account or mobile money account means an individual can use bank/mobile money services either via their own account or via an account of another person.

**Active account holder** – An individual who has a registered account and has used it in the last 90 days.

**Active user** – An individual who has used any financial services account for any type of transaction in the past 90 days via his/her own account or somebody else's account.

**Adults with DFS access** – Adults (15+) who either own a DFS account or have access to someone else's account.

**Advanced use of DFS** – Advanced use of DFS includes activities beyond basic cash-in/cash-out and person-to-person transfers (e.g., savings, bill pay, investment, insurance, etc.).

**Arisan** – Informal, rotating credit savings group.

**Bank Perkreditan Rakyat (BPR)** – Rural credit bank.

**Below the poverty line** – In this particular study, adults living on less than \$2.50 per day, as classified by the Grameen PPI.

**Cooperative** – Typically, a business or other professional organization that is owned and run jointly by its members, who share the profits or benefits. Cooperatives can release some of the profits/funds as loans to its members.

**Digital financial services (DFS)** – Financial services provided through an electronic platform (mobile phones, electronic cards, the internet, etc.).

**Dormant accounts** – Registered accounts that have never been used or that have not been active (e.g., used in the past 90 days).

**Financially included** – Included individuals are those who have an account with an institution that provides a full suite of financial services and comes under some form of government regulation. Services include savings, money transfers, insurance or investment. Institutions that only offer loans to consumers, such as some MFIs, are not considered to be full-service institutions.

**Full-service nonbank financial institutions** – Financial institutions that offer their customers at least one of the following services: savings, money transfers, insurance, or investment.

**Grameen Progress out of Poverty Index (PPI)** – A poverty measurement tool from the Grameen Foundation wherein a set of country-specific questions are used to compute the likelihood that a household is living below the poverty line.

**Microfinance institution (MFI)** – An organization that offers financial services to low-income populations. Almost all give loans to their members, and many offer insurance, deposit and other services.

**Mobile money (MM)** – A service in which a mobile phone is used to access financial services.

**Nonbank financial institution (NBFI)** – A financial organization that is not formally licensed as a bank or a mobile money provider, but whose activities are regulated, at least to some extent, by the central bank within the country. Such financial institutions include rural credit banks, cooperatives, Post Office Banks, and savings and credit cooperatives.

**Non-full-service financial institution** – Institution that offers a limited range of financial products or services, often in an informal setting. These institutions are not included in the financial rate calculation and include arisans, money lenders, money guards and other savings groups.

**Registered active user** – Individual who holds a registered financial services account and has used it in the last 90 days.

**Services beyond basic wallet** – DFS transactions that go beyond simple deposits, withdrawals or money transfers.

**Unregistered/over-the-counter (OTC) user** – An individual who has used a financial service through someone else's account, including an agent's account or the account of a family member or a neighbor.

**Urban/rural** – Urban and rural persons are defined according to their residence in urban or rural areas as prescribed by the national bureau of statistics.

## INDONESIA

## Country context

- In November 2016, the Indonesian government announced the creation of a National Strategy for Financial Inclusion (SNKI) to expand bank account ownership to 75 percent of the adult population by 2019, among other goals.\* While Indonesia is a bank-led financial services market, this goal is nonetheless very ambitious, given that less than 25 percent of adult Indonesians currently hold a bank account.
  - Achieving the SNKI objective is complicated by the concentration of bank account ownership in specific demographic groups – men, residents of urban areas, and households with incomes above the poverty line. Bank account ownership is rising among underserved groups – women, residents of rural areas, and those below the poverty line – at a rate that outpaces their counterparts; however, the gap remains significant.
  - Unbanked or otherwise underserved individuals use financial products and services, including digital ones, but these offerings tend to be informal and/or not full-service in nature. For example, 20 percent of Indonesian adults who do not hold a formal, full-service financial account instead use arisans, or other types of informal rotating savings groups. Successful implementation of the SNKI, therefore, requires competing with a widespread set of non-full-service institutions that are already catering to the needs of the unbanked.
- In August 2016, the Indonesian Financial Services Authority (OJK) announced that more progressive financial technology (fintech) regulations were under development.
  - Current regulations are structured such that fintech does not fall under a single regulatory authority. This structure inhibits growth in the fintech sector, as a commercial entity dealing in fintech has to be compliant with multiple and occasionally competing or contradictory sets of regulations.
  - These new regulations will consolidate regulatory authority while also creating a regulatory environment that actively encourages fintech expansion. For example, the new regulations will establish a “regulatory sandbox,” or the ability for companies to test new products without establishing full compliance with existing regulations. This change would lower barriers to market entry and provide regulators with an opportunity to adapt regulations to new technologies and consumption patterns.\*\*
- Over 25 percent of Indonesians have used digital financial services (DFS) and products (full and non-full service), including 6 percent of the financially excluded population. OJK has signaled support for expanding use of DFS by promoting fintech through various means including:
  - Hosting the first Indonesia Fintech Festival and Conference in August 2016. The event featured talks by both established institutions (e.g., Bank Indonesia) and start-up corporations (e.g., Go-Jek) on how to apply fintech to businesses, as well as by Indonesian and international government representatives, including Queen Maxima of the Netherlands.
  - Launching a Fintech Innovation Hub, a “one-stop contact center” where fintech companies can network and collaborate.\*\*

\* Parlina, I. (2016, November 18). Indonesia promotes financial inclusion with new strategy. Retrieved from <http://www.thejakartapost.com/news/2016/11/18/indonesia-promotes-financial-inclusion-with-new-strategy.html>.

\*\*OJK. (2016, October 6). Press Release: OJK Drafts Regulations on Fintech Development

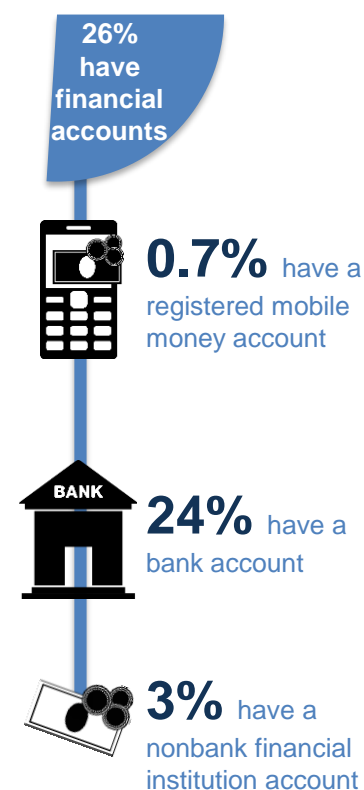
## INDONESIA

### Notable statistics

- **Banks remain the driver of Indonesian financial inclusion; 93 percent of Indonesian adults who are financially included hold a full-service bank account.**
  - Thirty percent of Indonesian adults have ever used a full-service bank account (either their own or one belonging to someone else).
  - Of those Indonesians who have accessed a full-service bank account, 81 percent (24 percent of all adults) hold an account.
  - Indonesian bank account holders tend to be active users. Ninety-four percent of all Indonesian full-service bank account holders had used their accounts in the 90 days preceding the survey.
- **Less than 1 percent of Indonesian adults have used mobile money. Awareness of mobile money services, however, rose substantially, from 8 percent in 2015 to 15 percent of the adult population in 2016.**
  - The conversion rate from awareness to use increased compared to 2015; now a greater share of Indonesian adults who are aware of mobile money are also mobile money users.
  - The increase in the conversion rate suggests that market conditions are facilitating growth in the use of mobile money.
- **Arisans are the preferred non-full-service provider of financial services for the unbanked or otherwise underserved members of society – women, those living in rural areas or those living below the poverty line.**
  - Arisans/similar institutions are excluded from the financial inclusion calculation because they do not offer a full suite of financial services.
  - Twenty-two percent of Indonesian adults have used an arisan, compared to 11 percent who have used a multifinance institution (MFI), and 2 percent who have used Bank Perkreditan Rakyat (BPR).
  - Twenty percent of all Indonesian adults without formal accounts have used an arisan.

### 2016: Registered full-service financial account holders\*

(Shown: Percentage of Indonesian adults, N=6,044)



\*Overlap representing those who have multiple kinds of financial accounts is not shown.

## INDONESIA

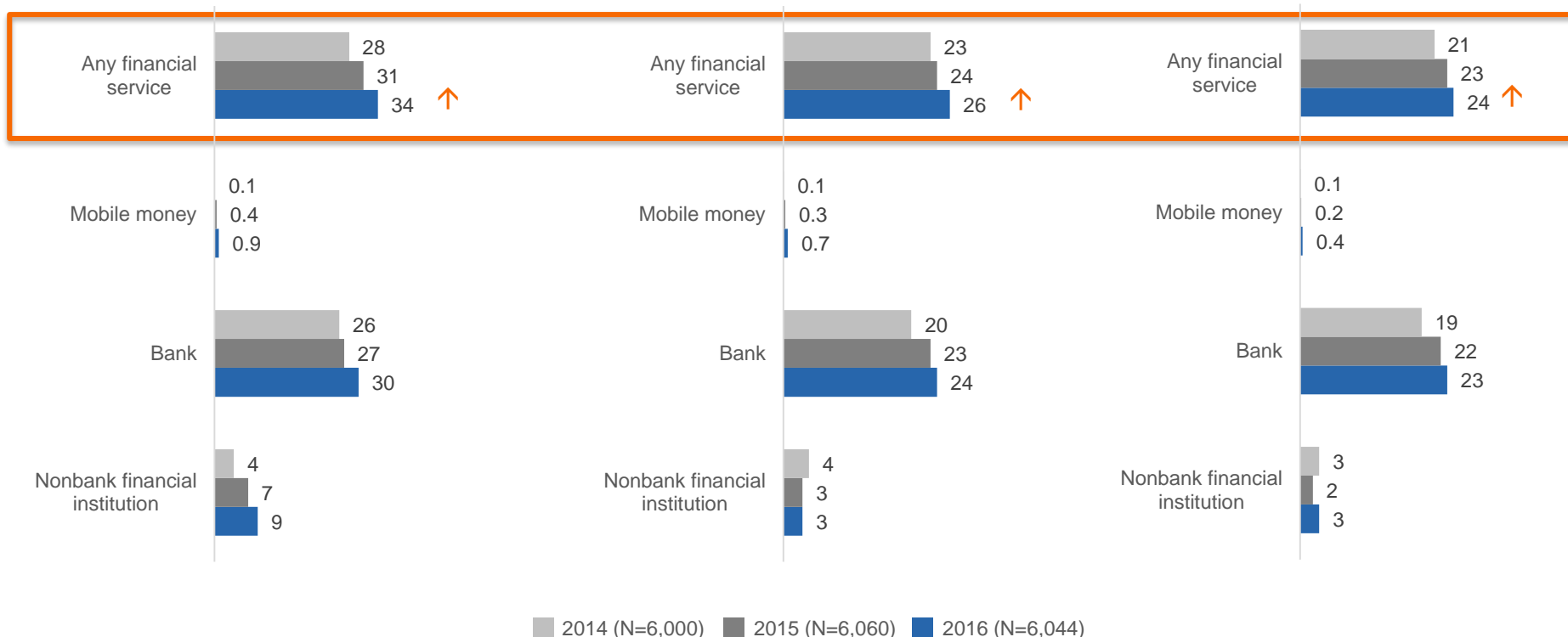
The percentage of Indonesian adults who hold registered financial accounts or actively use these accounts increased slightly, while account access increased at a greater rate

### Financial account access

### Registered financial service users

### Active financial account holders\*

(Shown: Percentage of Indonesian adults for each year)



Types of account ownership are not mutually exclusive. \*A registered account used in the last 90 days.

Source: InterMedia Indonesia FII Tracker surveys Wave 1 (N=6,000, 15+), August-November 2014; Wave 2 (N=6,060, 15+), August-November 2015; Wave 3 (N=6,044, 15+), September-November 2016.

**INDONESIA**

## FII Indonesia Tracker Survey details

### Survey Summary

- Annual, nationally representative survey (N=6,044) of Indonesian adults aged 15+
- Face-to-face interviews lasting, on average, 91 minutes
- Third survey (wave 3) conducted from 9/20/2016 to 11/30/2016
- Tracks trends and market developments in DFS based on the information gathered in the first survey, conducted in 2014, and the second survey, conducted in 2015

### Data Collection

- Basic demographics and poverty measurement (Grameen Progress Out of Poverty Index)
- Access/use of mobile devices
- Access/use of mobile money
- Access/use of formal financial services (e.g., bank accounts)
- Access/use of semi-formal and informal financial services (e.g., microfinance institutions, cooperatives, village savings groups)
- Financial literacy and preparedness
- General financial behaviors

## INDONESIA

### Survey demographics

	% of survey
<b>Gender</b>	
Male	50%
Female	50%
<b>Geography</b>	
Urban	51%
Rural	49%
<b>Income</b>	
Above the \$2.50/day poverty line	37%
Below the \$2.50/day poverty line	63%

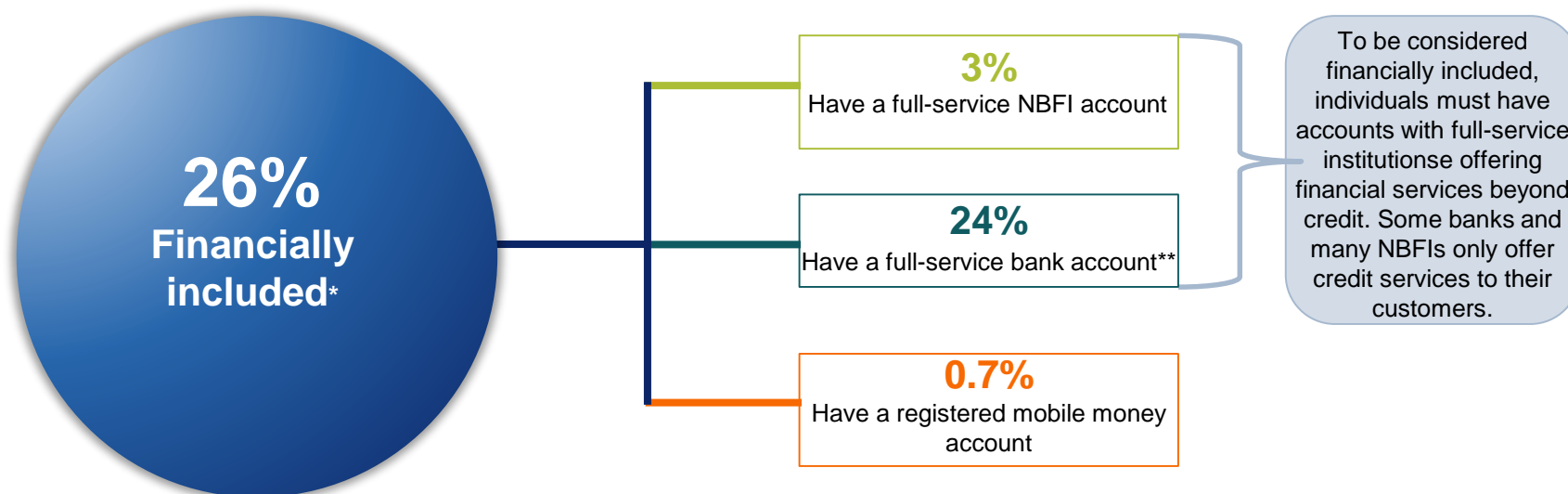
	% of survey
<b>Age</b>	
15-24	24%
25-34	24%
35-44	21%
45-54	15%
55+	16%
<b>Aptitude</b>	
Basic literacy	83%
Basic numeracy	99%

Figures are weighted to reflect national census data demographics.

Source: InterMedia Indonesia FII Tracker survey Wave 3 (N=6,044, 15+), September-November 2016..

## INDONESIA

### Bank account ownership drives Indonesian financial inclusion; 93 percent of financially included adults own a full-service bank account



\*Overlap representing those who have multiple kinds of financial accounts is not shown.

\*\*Throughout this report, bank account holders have accounts at full-service institutions, unless otherwise noted.

Source: InterMedia Indonesia FII Tracker survey Wave 3 (N=6,044, 15+), September-November 2016.

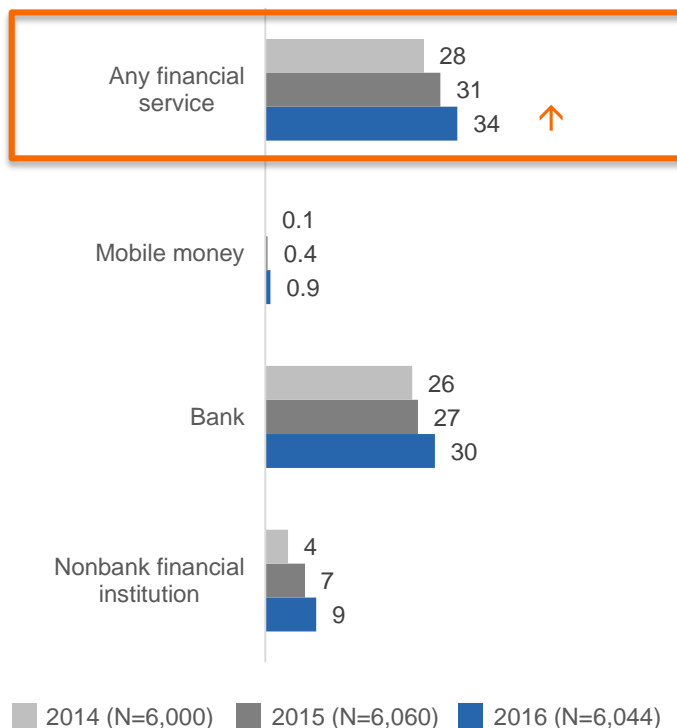


## INDONESIA

### An additional 3 percent of the Indonesian adult population gained access to financial services between 2015 and 2016

#### Access to financial services

(Shown: Percentage of Indonesian adults for each year)



Types of accounts are not mutually exclusive.

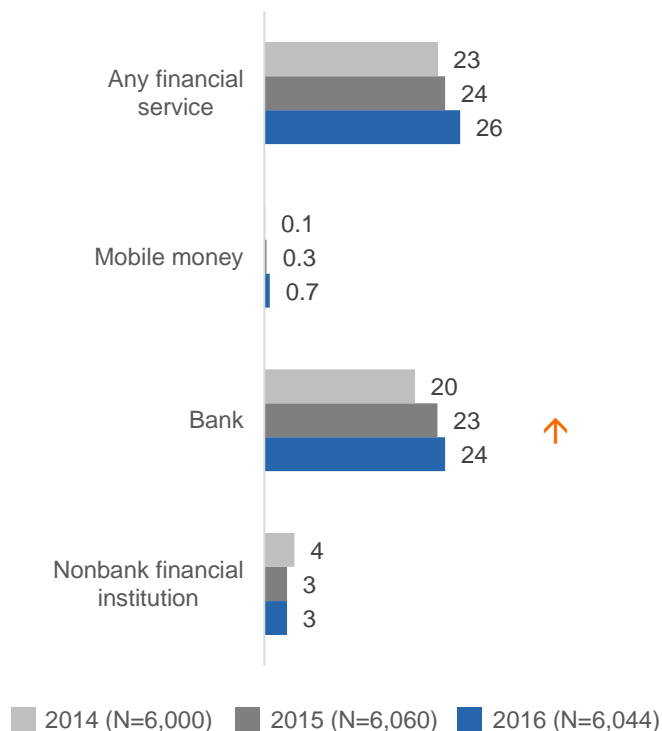
Source: InterMedia Indonesia FII Tracker surveys Wave 1 (N=6,000, 15+), August-November 2014; Wave 2 (N=6,060, 15+), August-November 2015; Wave 3 (N=6,044, 15+), September-November 2016.

## INDONESIA

The share of Indonesian adults who are registered users of financial services increased slightly as a result of the increase in registered mobile money and bank account holders

### Registered financial service users

(Shown: Percentage of Indonesian adults for each year)



Types of accounts are not mutually exclusive.

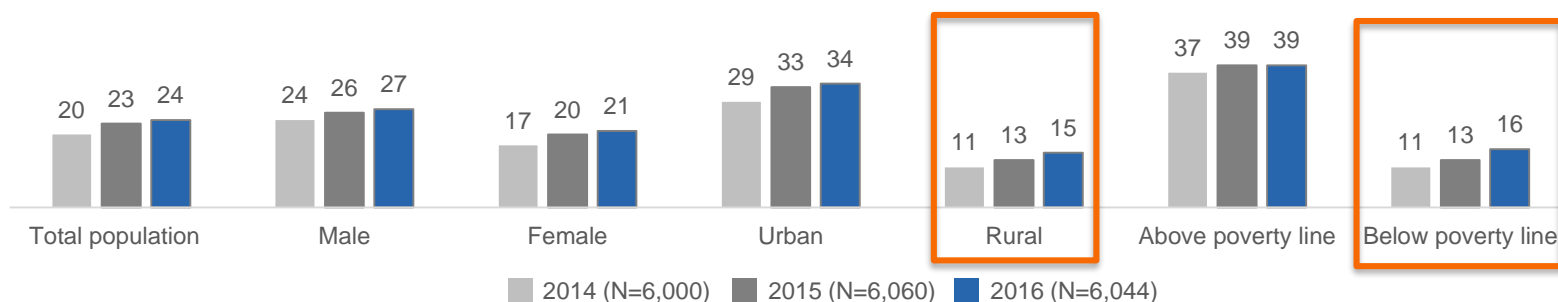
Source: InterMedia Indonesia FII Tracker surveys Wave 1 (N=6,000, 15+), August-November 2014; Wave 2 (N=6,060, 15+), August-November 2015; Wave 3 (N=6,044, 15+), September-November 2016.

## INDONESIA

Account ownership increased slightly across all demographics except those above the poverty line; the greatest increases were seen in the rural and below-poverty-line groups, which are the least financially included overall

### Demographic trends for registered bank account ownership

(Shown: Percentage of Indonesian adults who fall into each category)

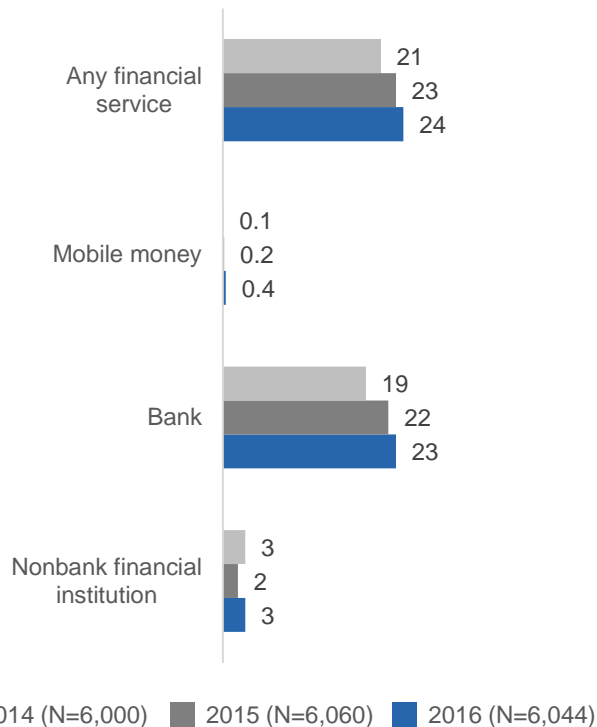


## INDONESIA

### Indonesians are active users of their financial accounts; over 90 percent of accounts had been used within the 90 days preceding the survey

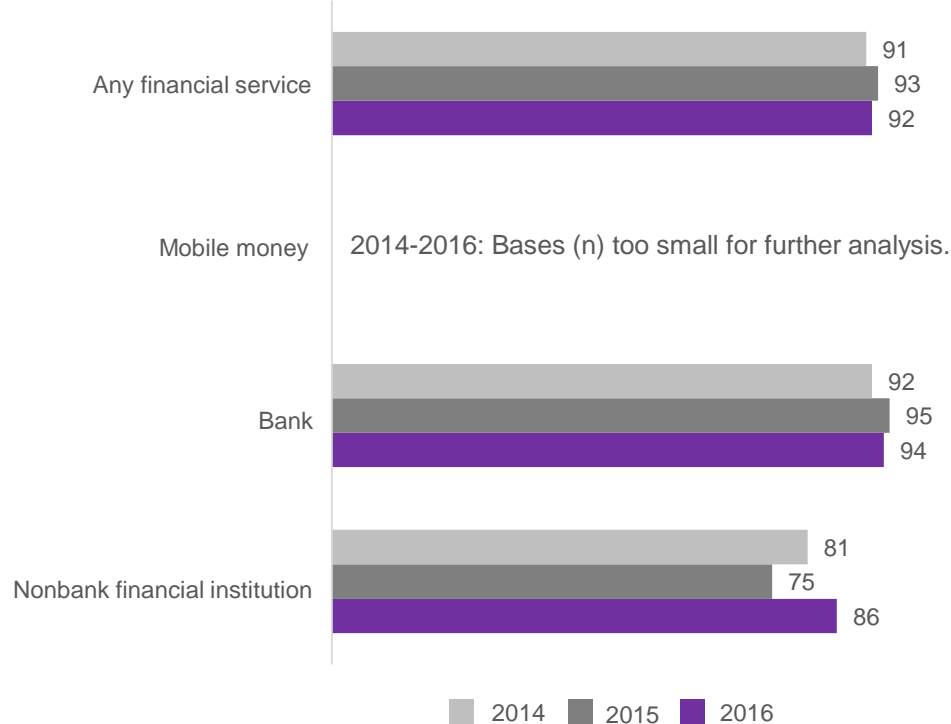
#### Active financial account holders

(Shown: Percentage of Indonesian adults)



#### Active financial account holders

(Shown: Percentage of registered users for each type of account, by year)



Types of accounts are not mutually exclusive.

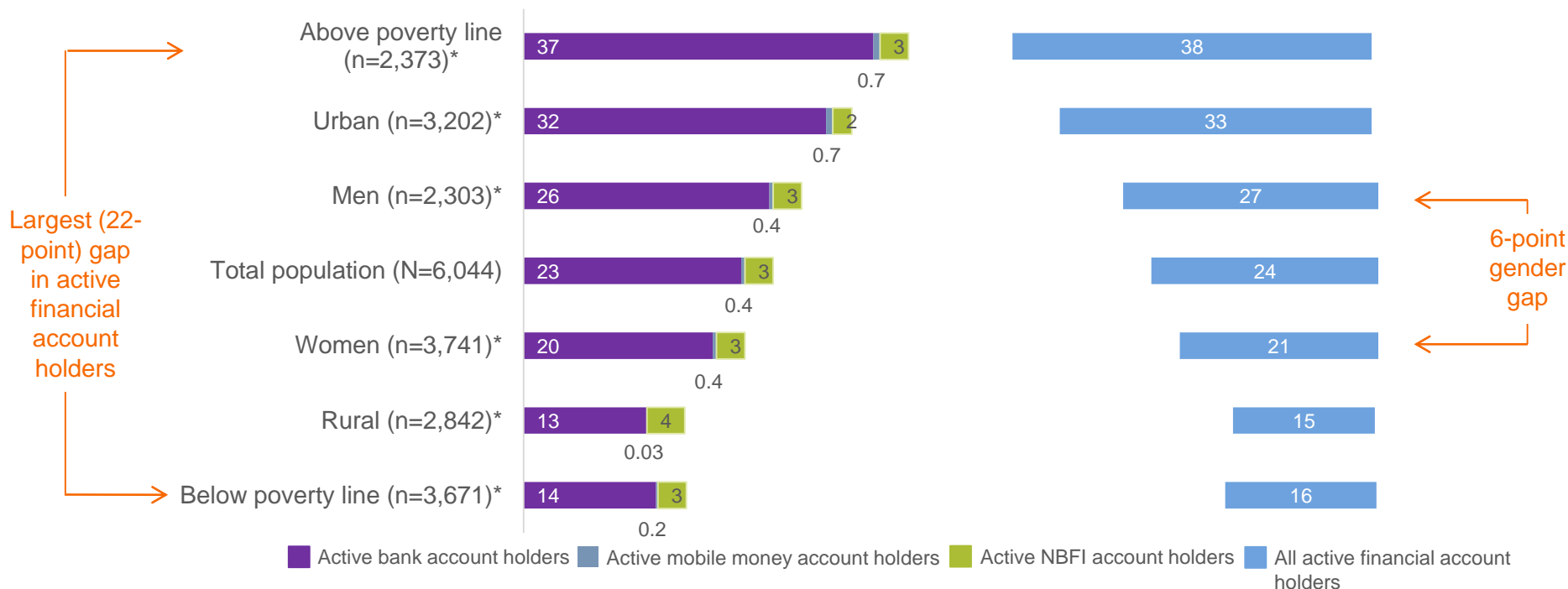
Source: InterMedia Indonesia FII Tracker surveys Wave 1 (N=6,000, 15+), August-November 2014; Wave 2 (N=6,060, 15+), August-November 2015; Wave 3 (N=6,044, 15+), September-November 2016.

## INDONESIA

### Financial services remain concentrated among the urban, above poverty line and male populations; large divides in active account usage persist across poverty status, geography and gender

#### 2016: Active account usage by demographic

(Shown: Percentage of each subgroup)



\*Statistically significant Pearson chi2 p<0.0001 for each demographic category and account status  
Types of accounts are not mutually exclusive.

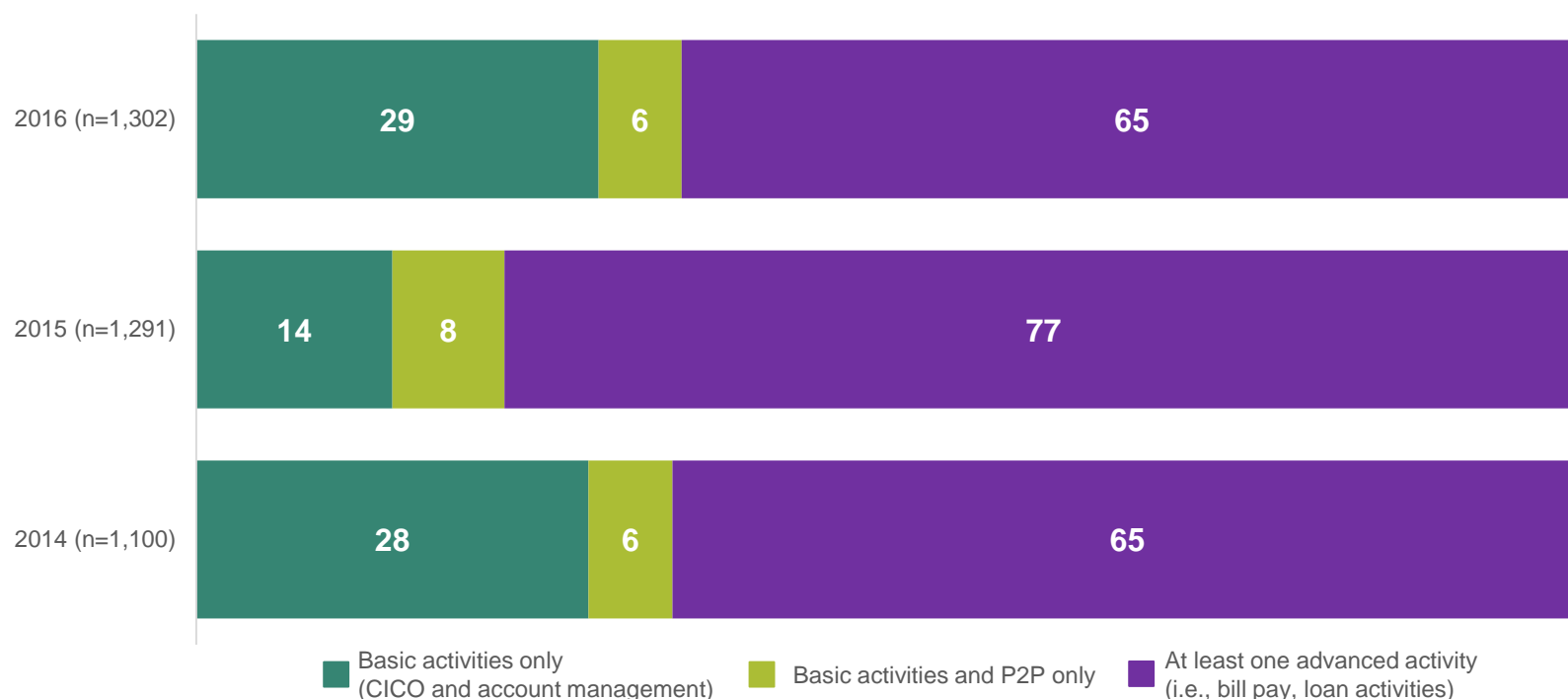
Source: InterMedia Indonesia FII Tracker survey Wave 3 (N=6,044, 15+), September-November 2016.

## INDONESIA

### Fewer active bank account holders are undertaking advanced banking activities compared to 2015; however, the majority still use their accounts for advanced activities

#### Bank uses, by type

(Shown: Percentage of active bank account holders)



Due to the changes in the questionnaire some data points may not be directly comparable across years.

Source: InterMedia Indonesia FII Tracker surveys Wave 1 (N=6,000, 15+), August-November 2014; Wave 2 (N=6,060, 15+), August-November 2015; Wave 3 (N=6,044, 15+), September-November 2016.

## INDONESIA

**Saving/setting aside money, receiving wages and bill pay are the advanced bank account services used most frequently; a sharp decline in bank-to-bank transfers contributed to the overall drop in advanced account usage**

### 2016: Advanced bank account uses

(Shown: Percentage of active bank account holders, n=1,302)



Bank-to-bank transfers were conducted by 36 percent of active bank account holders in 2015

# 65%

of active registered users have used at least one advanced function through their accounts

(vs. 77% in 2015 and 65% in 2014)

Due to the changes in the questionnaire some data points may not be directly comparable across years.

Question allowed for multiple responses.

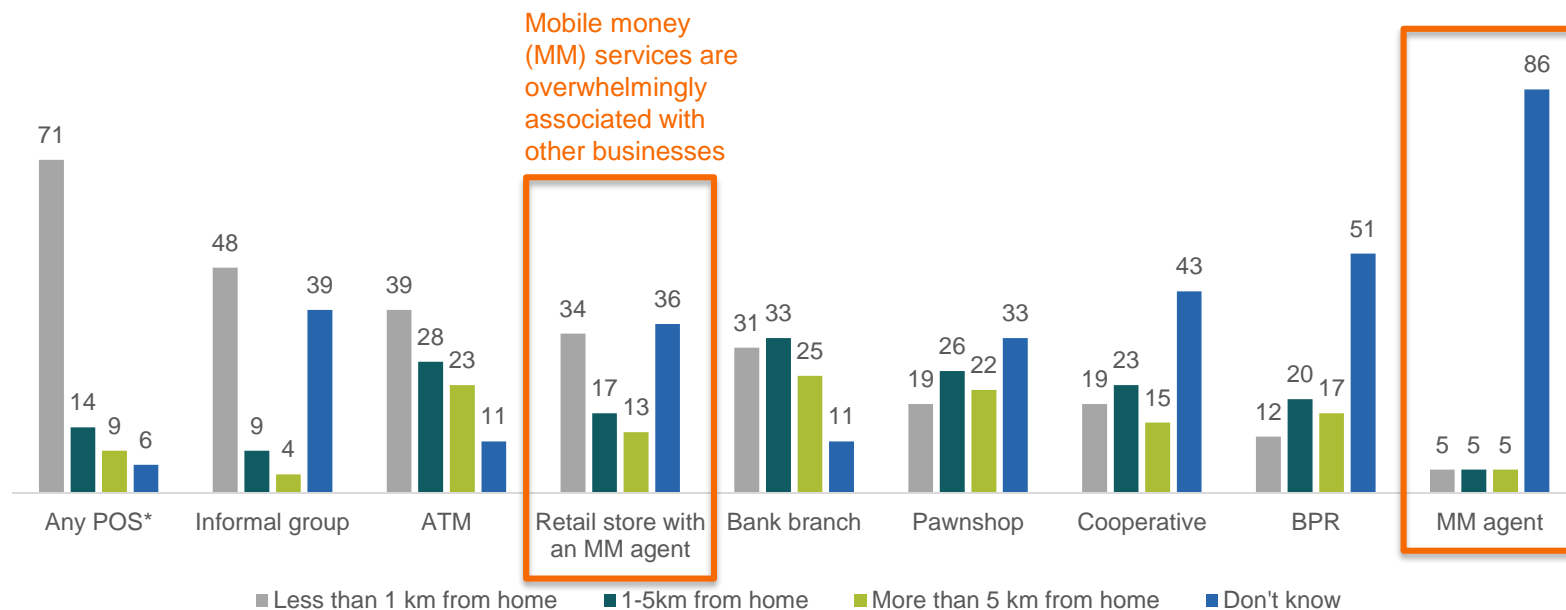
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## INDONESIA

Indonesian adults generally report close proximity (<1 km) to a point of service; however, the most widespread access points are informal or not full-service in nature

### 2016: Proximity to points-of-service (POS) for financial institutions

(Shown: Percentage of Indonesian adults, N=6,044)



\*POS includes bank agents and post office banks, not shown.

Source: InterMedia Indonesia FII Tracker Wave 3 (N=6,044, 15+), September-November 2016.

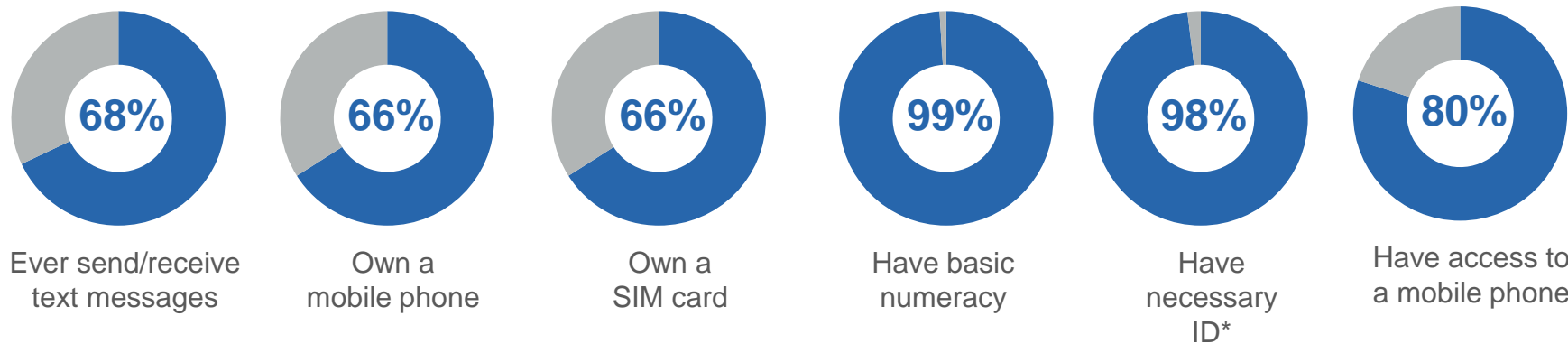


## INDONESIA

**Most Indonesian adults have at least one core component of DFS readiness; barriers to readiness, however, persist around access to and ownership of mobile phones and SIM cards, and text messaging capability**

### 2016: Key indicators of preparedness for digital financial services (DFS)

(Shown: Percentage of Indonesian adults, N=6,044)



	Ever send/receive text messages	Own a mobile phone	Own a SIM card	Have basic numeracy	Have necessary ID*	Have access to a mobile phone
2015 (N=6,060)	69%	62%	62%	98%	99%	79%
2014 (N=6,000)	68%	62%	63%	96%	99%	76%

\*Identification documents (ID) necessary for registering a mobile money or a bank account include one of the following: a national ID, passport, voter's card, driver's license, company or government ID, birth certificate or school ID.

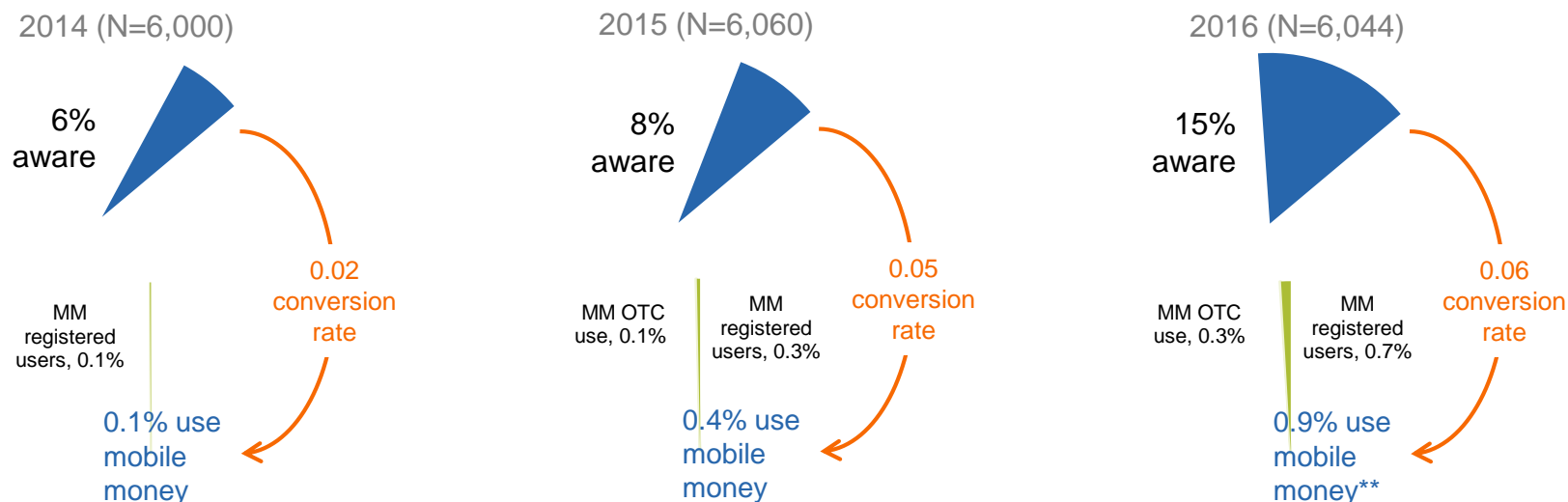
Source: InterMedia Indonesia FII Tracker surveys Wave 1 (N=6,000, 15+), August-November 2014; Wave 2 (N=6,060, 15+), August-November 2015; Wave 3 (N=6,044, 15+), September-November 2016.

## INDONESIA

Despite substantial growth in both mobile money awareness and the rate of conversion from awareness to use, a negligible share of the Indonesian population currently uses mobile money

### Conversion from awareness of mobile money (MM) providers\* to mobile money use

(Shown: Percentage of Indonesian adults for each year)



\*Aware of at least one provider

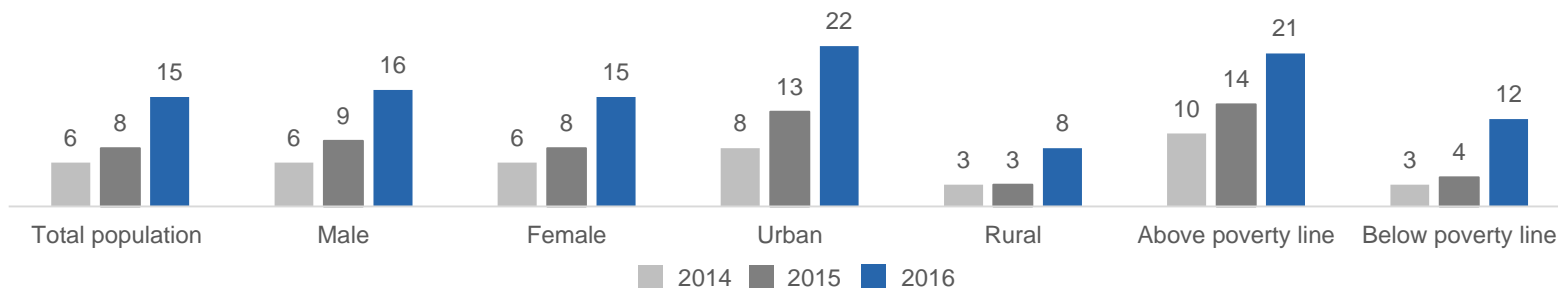
\*\*Sum of components may not match total due to rounding.

Source: InterMedia Indonesia FII Tracker surveys Wave 1 (N=6,000, 15+), August-November 2014; Wave 2 (N=6,060, 15+), August-November 2015; Wave 3 (N=6,044, 15+), September-November 2016.

## INDONESIA

**Mobile money awareness is growing across all demographic segments, including traditionally underserved segments of society such as women, those living in rural areas and those living below the poverty line**

**Demographic trends for mobile money awareness**  
(Shown: Percentage of Indonesian adults who fall into each category)

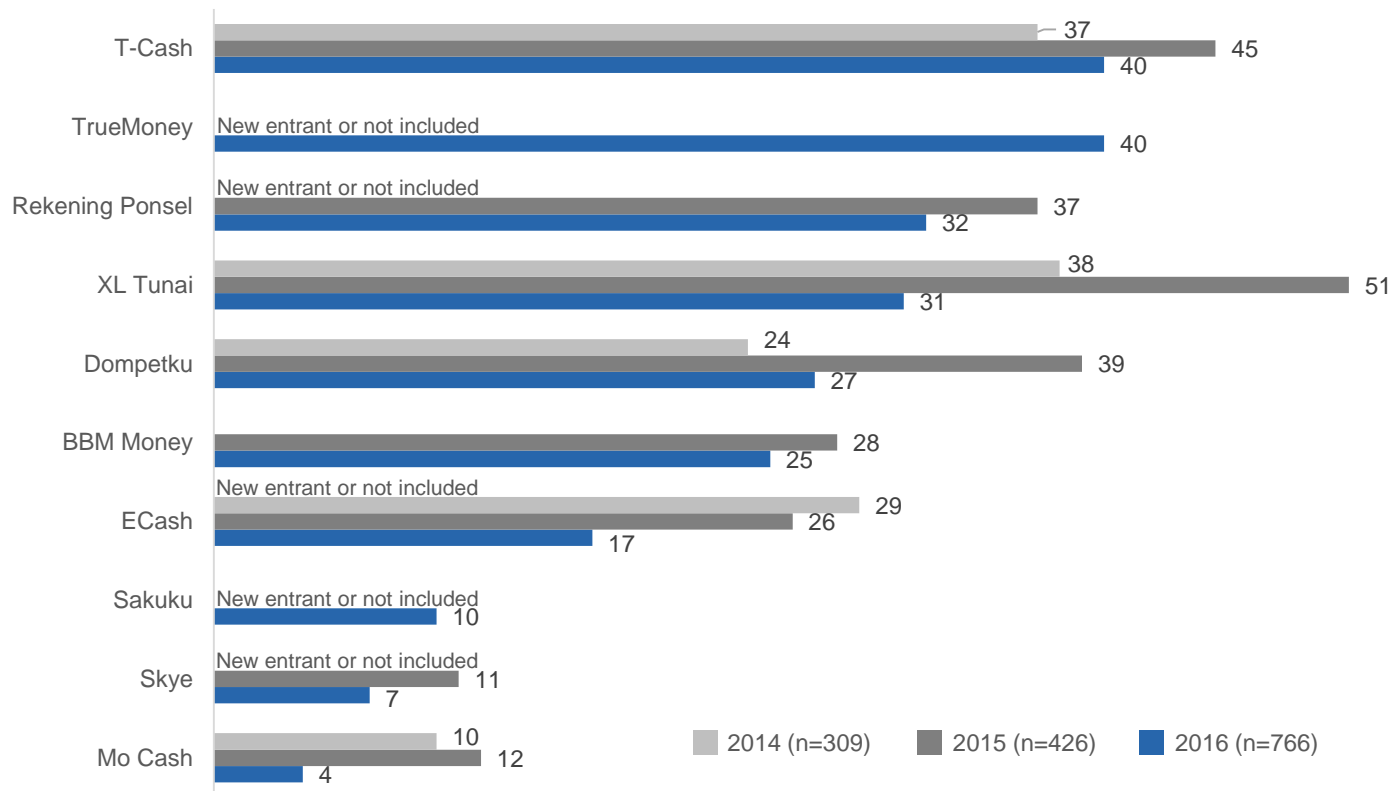


## INDONESIA

### No mobile money brand dominates the market in 2016: Six providers are recognized by at least 25 percent of individuals who are aware of mobile money

#### Mobile money provider awareness by brand

(Shown: Percentage of adults aware of at least one mobile money provider, by year)

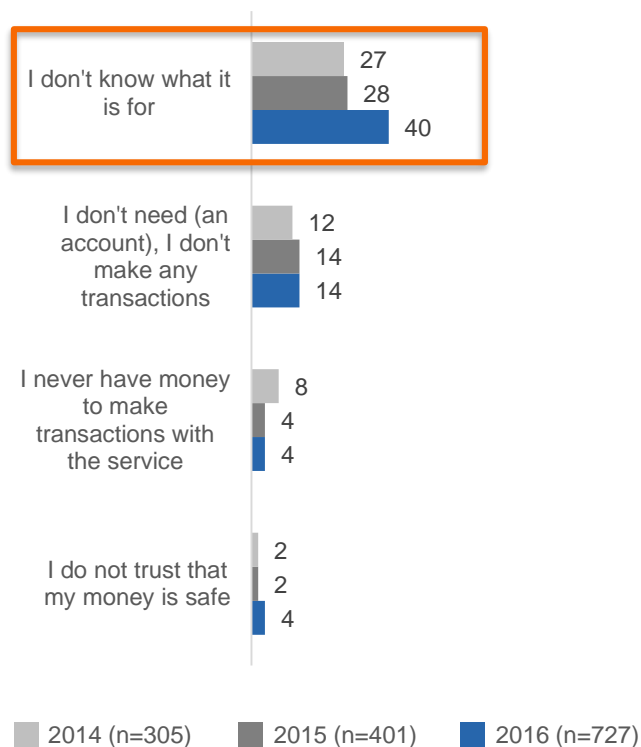


## INDONESIA

### A lack of understanding of the purpose and use(s) of mobile money drives nonuse among those who are aware of mobile money

#### Top reasons for mobile money nonuse among MM-aware individuals

(Shown: Percentage of Indonesian adults who are aware, but do not use, MM by year)



Question allowed for multiple responses. Not all response options shown.

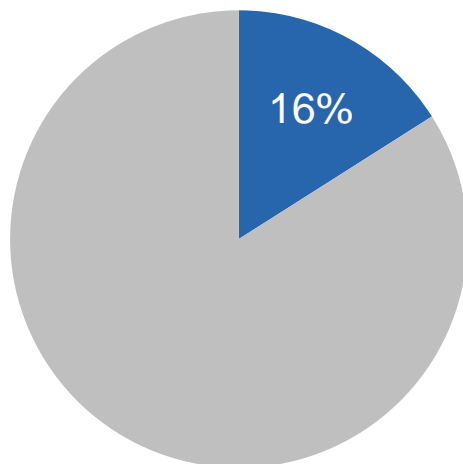
Source: InterMedia Indonesia FII Tracker survey Wave 3 (N=6,044, 15+), September-November 2016.

## INDONESIA

**Digital or mobile-based financial products that are not mobile money\* (e.g., Brizzi or Doku\*\*) outperform mobile money in awareness and registered account ownership, showing some traction for digital financial products**

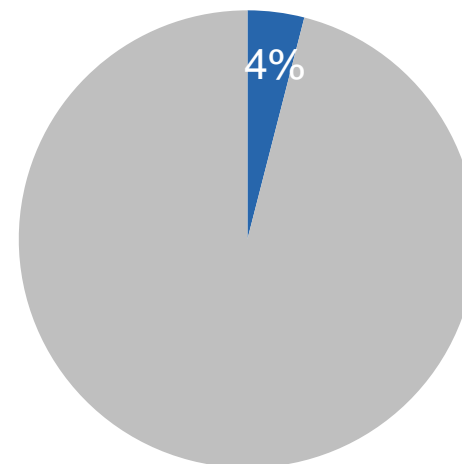
### Awareness of digital or mobile-based financial products that are not mobile money

(Shown: Percentage of Indonesian adults, N=6,044)



### Registered accounts for digital or mobile-based financial products that are not mobile money

(Shown: Indonesian adults who are aware of non-MM mobile-based financial products, n=847)



\*These products are not included in the financial inclusion rate calculation.

\*\*Brizzi is a digital payment recharge card and Doku is an online/offline wallet system.

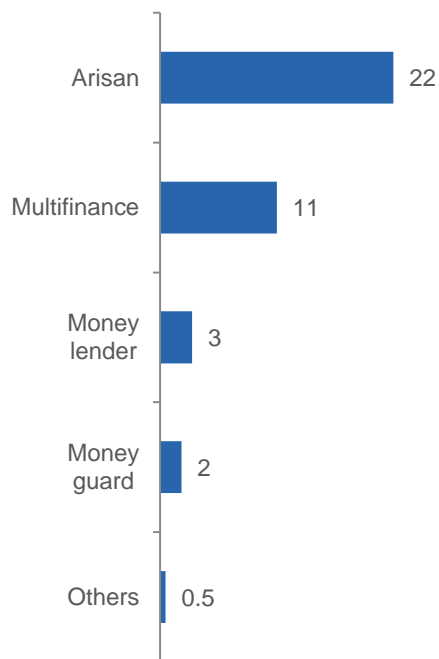
Source: InterMedia Indonesia FII Tracker survey Wave 3 (N=6,044, 15+), September-November 2016.

## INDONESIA

### Financial institutions that do not offer a full suite of services and products are widely utilized, particularly by women and/or those below the poverty line

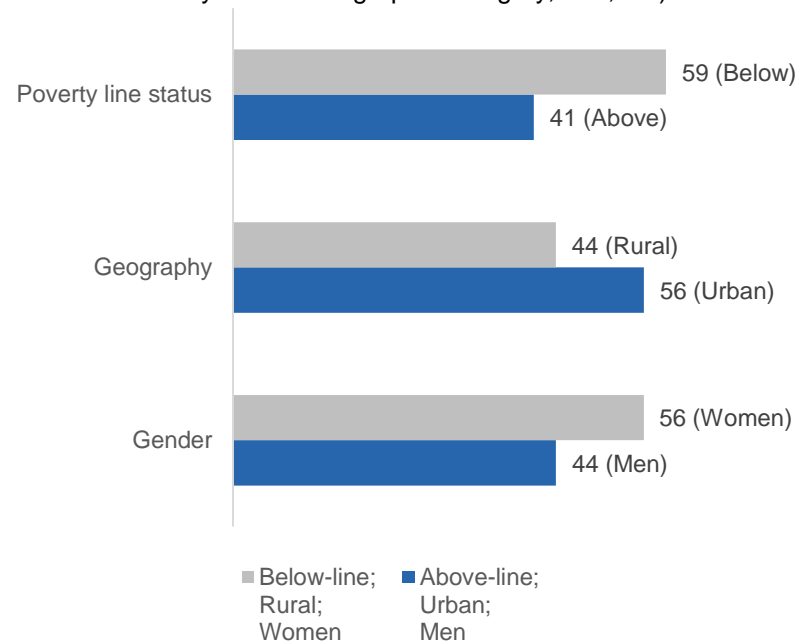
#### Access to non-full-service financial institutions\*

(Shown: Percentage of Indonesian adults, N=6,044)



#### Demographic distribution for access to non-full-service financial institutions\*

(Shown: Percent of respondents with access to non-full-service financial institutions by each demographic category, n=2,032)



\*These products are not included in the financial inclusion rate calculation.

Source: InterMedia Indonesia FII Tracker survey Wave 3 (N=6,044, 15+), September-November 2016.

## INDONESIA

**While bank account ownership increased and NBFi ownership remained flat, DSVA ownership decreased slightly, suggesting that new accounts have less DSVA-related products or these products are not communicated**

Main FSP Indicator	2014	2015	2016	Base Definition
	%	%	%	
	Base n	Base n	Base n	
Adults (15+) who have active digital stored-value accounts	18%	22%	20%	All adults
	6,000	6,060	6,044	
Poor adults (15+) who have active digital stored-value accounts	9%	12%	13%	All poor
	3,761	3,598	3,671	
Poor women (15+) who have active digital stored-value accounts	7%	10%	10%	All poor women
	2,269	2,178	2,242	
Rural women (15+ ) who have active digital stored-value accounts	8%	10%	9%	All rural women
	1,712	1,716	1,754	
Adults (15+) who have active digital stored-value accounts and use them to access other financial services (beyond basic wallet, P2P and bill pay)*	11%	17%	13%	All adults
	6,000	6,060	6,044	
Poor adults (15+) who have active digital stored-value accounts and use them to access other financial services (beyond basic wallet, P2P and bill pay)	5%	8%	8%	All poor
	3,761	3,598	3,671	
Poor women (15+) who have active digital stored-value accounts and use them to access other financial services (beyond basic wallet, P2P and bill pay)	3%	6%	3%	All poor women
	2,269	2,178	2,242	
Rural women (15+) who have active digital stored-value accounts and use them to access other financial services (beyond basic wallet, P2P and bill pay)	4%	6%	4%	All rural women
	1,712	1,716	1,754	

Digital stored-value accounts: accounts in which a monetary value is represented in a digital electronic format and can be retrieved/transferred by the account owner remotely. For this particular study, DSVAs include a bank account or NBFi account with digital access (a card, online access or a mobile phone application) and a mobile money account.

Source: InterMedia Indonesia FII Tracker surveys Wave 1 (N=6,000, 15+), August-November 2014; Wave 2 (N=6,060, 15+), August-November 2015; Wave 3 (N=6,044, 15+), September-November 2016.



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