CERTIFICATE

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has participated in X International Financial and Banking Forum 23-24 November 2017

and has prepared and delivered a presentation

Branchless Banking as a Tool of Prevention of Financial Exclusion in Rural Areas - Evidence from Indonesia

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BRANCHLESS BANKING AS A TOOL OF PREVENTION OF FINANCIAL EXCLUSION IN RURAL AREAS – EVIDENCE FORM INDONESIA

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Presentation outline:

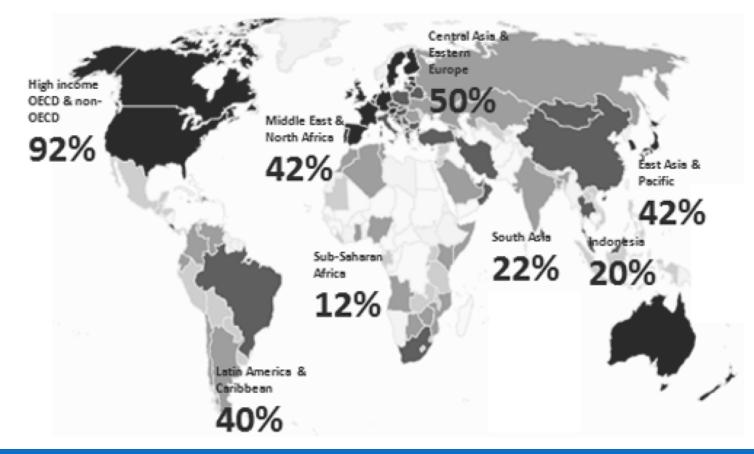
- 1. Introduction
- 2. Methods
- 3. Results
- 4. Conclusions

INTRODUCTION

Demirgüç-Kunt et al. (2008) stated that the financial sector is the parent of the development process. The development of the financial sector by providing services and financial products that can be accessed by everyone is one way to overcome poverty.

Sanjaya (2014) and Jain (2015) stated that evenly distribution of financial services will create a new source of rapid and comprehensive economic growth, thus creating a more equitable growth.

Figure 1. Percentage of adult population who have access to formal financial institutions



Source: The World Bank. Global Financial Development Report 2014

Figure 2. Branchless banking practices

Orange launched mobile banking services in lvory Coast; Senegal, Egypt and Jordan to follow

SENEGAL: Mobile operator VeriFone and two transaction switching companies deliver mobile money .

GHANA: Txt-N-Pay service. Zain piloting Mobile Money.

NIGERIA: Moneybox Africa introduced mobile money.

DR Congo: Early Celpay mobile service by opearator Celtel.

SOUTH AFRICA: Several mobile banking projects launched, led by banks, mobile operators and an independent provider.

CARIBBEAN

MEXICO: Public telegraph offices retail banking services for 4 banks. Many banks have mini branches in retail spaces. Branchless and mobile banking regulations are being issued.

COLOMBIA: Leading banks are rolling out POS-based agent _____ networks. Government program to subsidize banks to set up agents in unserved municipalities.

PERU: 4 leading banks are rolling out POS-based agent networks.

BOLIVIA: Banks experimenting branchless banking; regulations already issued.

CHILE: BancoEstado has large network of POS-based agent network, associated with basic account and microfinance unit. Operator Tigo proposing mobile money services in PARAGUAY &

> MALDIVES: Nationally interoperable mobile banking system being developed by Central Bank.

BRAZIL: Major banks have extensive POS-based agent networks, led by public banks. Postal bank set up as JV of public post offices and a private bank. INDIA: There are many pilots involving many technologies. Regulatory framework still unfolding, with uncertain outcome.

UGANDA: Operator MTN testing Mobile Money

KENYA: Successful M-PESA service by Safaricom. Equity bank rolling out POS & mobile banking service.

TANZANIA: Vodacom introduced M-PESA service; Z-PESA launched by Zantel

Mobile operator Zain launching mobile banking services as Zap Money in KENYA (as Sokolele revamp), TANZANIA, UGANDA & MADAGASCAR.

RUSSIA: Operator Beeline and Tavrichesky Bank rolling out mobile banking platform.

AFGHANISTAN: Mobile M-Paisa service launched by Roshan.

MONGOLIA: XAC Bank is rolling out a mobile banking system for rural areas.

PAKISTAN: Telenor/Tameer Bank rolling out a mobile & POS-based banking service. NEPAL: Bank of Kathmandu is proposing a branchless banking solution.

PHILIPPINES: Two leading operators have mobile money schemes, one with and one without a bank

VIETNAM, CAMBODIA: Mobile banking services being planned.

BANGLADESH: Grameen Phone and two banks have proposed mobile banking services. Regulations still pending.

SRI LANKA: Dialog/NDB Bank launched mobile banking service

Source: The World Bank. Global Financial Development Report 2014

Branchless Banking Program in Indonesia

Branchless banking in Indonesia is a new delivery channel. It is one of the programs in the National Strategy of Financial Inclusion launched in 2012.

The objective of the program is to provide simple, easy-to-understand and appropriate financial products that meet the needs of people who have not been able to reach the current financial services, and with the increasing number of members of various community groups in different parts of Indonesia using financial or banking services, then the economy of society can be more smooth so it can encourage economic growth and equitable development among regions in Indonesia, especially between villages and cities.

Branchless Banking Program in Indonesia

The branchless banking provider is an institution that provides financial transaction services to the people in remote areas. Providers of branchless banking may come from a bank or nonbank institution such as a telecommunications company.

On the other hand, branchless banking service users are those who live in remote areas. People in remote areas who have access to branchless banking can make financial transactions such as saving, withdrawing cash, making transfers, or making payments for electricity, water, or other payments obligation.

METHODS

Methods

Presented study ware concentrated on branchless banking on the example of Indonesia and are based on the secondary data from Bureau of National Strategy of Financial Inclusion in Indonesia.

RESULTS

Table 1. Realization of program of "Laku Pandai" Quarter III-2016.

Type of Agent		Data of Customer	
Individual	Legal entity	No of Account	BSA Outstanding
159,521	968	1,948,995	Rp 93.79 billion

Source: OJK Quarter III-2016 report

Table 2. Characteristic of Agents BB	
Characteristic	Average
Age (year)	39.84
Formal education (year)	12
Agent BB – Male (%)	68.8
Agent BB – Female (%)	31.2

Table 3. Type of Business of Agent

Type of business	No. of Agent
Stalls - sells household staple goods	42,5%
Distributors of SIM Cards and top-up voucher	15,0%
Agent of Water Refill	7,5%
Photocopy and stationery	5,0%
Wotorcycle workshop	5,0%
Electronic Equipment Store	5,0%
Financial Transaction Services	5,0%
Goods and Money Credit Services	5,0%
House Rent Business	5,0%
Beauty salon services	2,5%
Motorcycle Showroom	2,5%

Type of Transaction	Frequency/year	Percentage
Saving	187	6.46
Withdrawal	144	4,84
Transfer	576	27.13
Electricity payment	1,346	45.59
Top-up mobile voucer	422	15.98

Table 5. Frequency of Transaction conducted by the Household of Business Actor on the Agent BB

Table 5. Distance of Agent BB to the Nearest Bank Office

Distance (km)	%
< 0.5	12.50
+/- 1	18.75
2 – 5	47.00
6 - 10	18,75
+/- 15	3.00

Table 5. Distance of Agent BB to the cilents

Distance (meter)	%
<100	32,00
100–200	10,00
>200	58,00

CONCLUSIONS

Conclusions

- 1. The types of financial transactions conducted by business actors in BB Agents are more related to consumption activities, especially non-food consumption, such as paying electricity or buying vouchers, few financial transactions related to production business such as saving and withdrawing savings.
- 2. Negative Behavior of Agents BB in running the business as an extension of the bank to reach people in remote areas, can hamper the community and business actors to conduct financial transactions in the Agent BB. For businesses in remote areas not only require facilities to conduct financial transactions, but the confidentiality of their information and prices should be considered