



CERTIFICATE

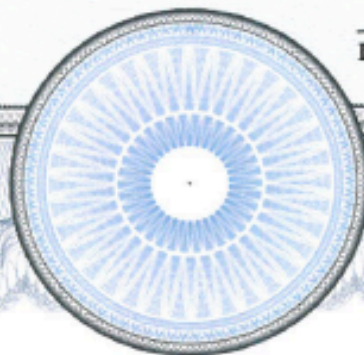
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has participated in
X International Financial and Banking Forum
23-24 November 2017

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 FROM INDONESIA

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Presentation outline:

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

INTRODUCTION

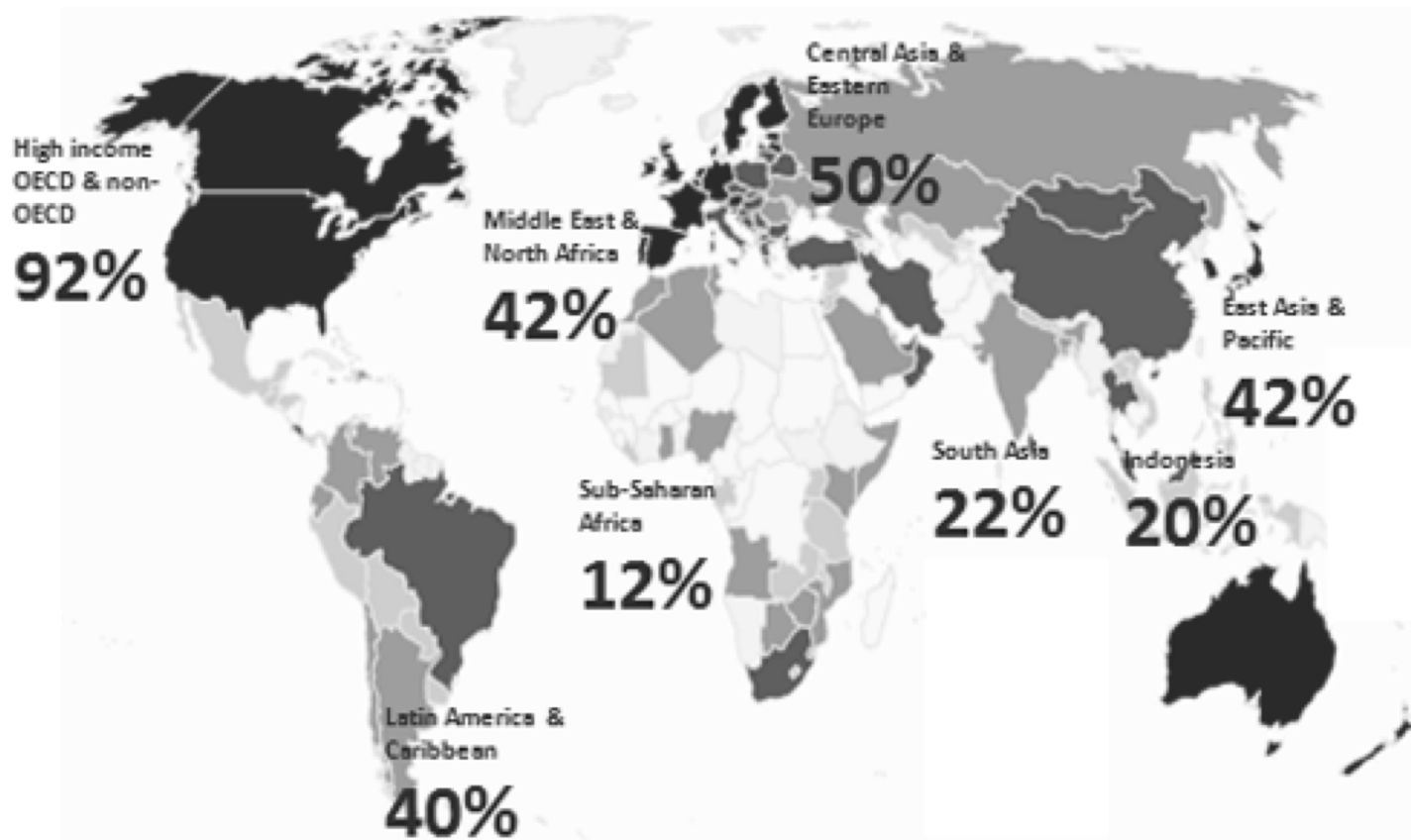
Introduction

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.

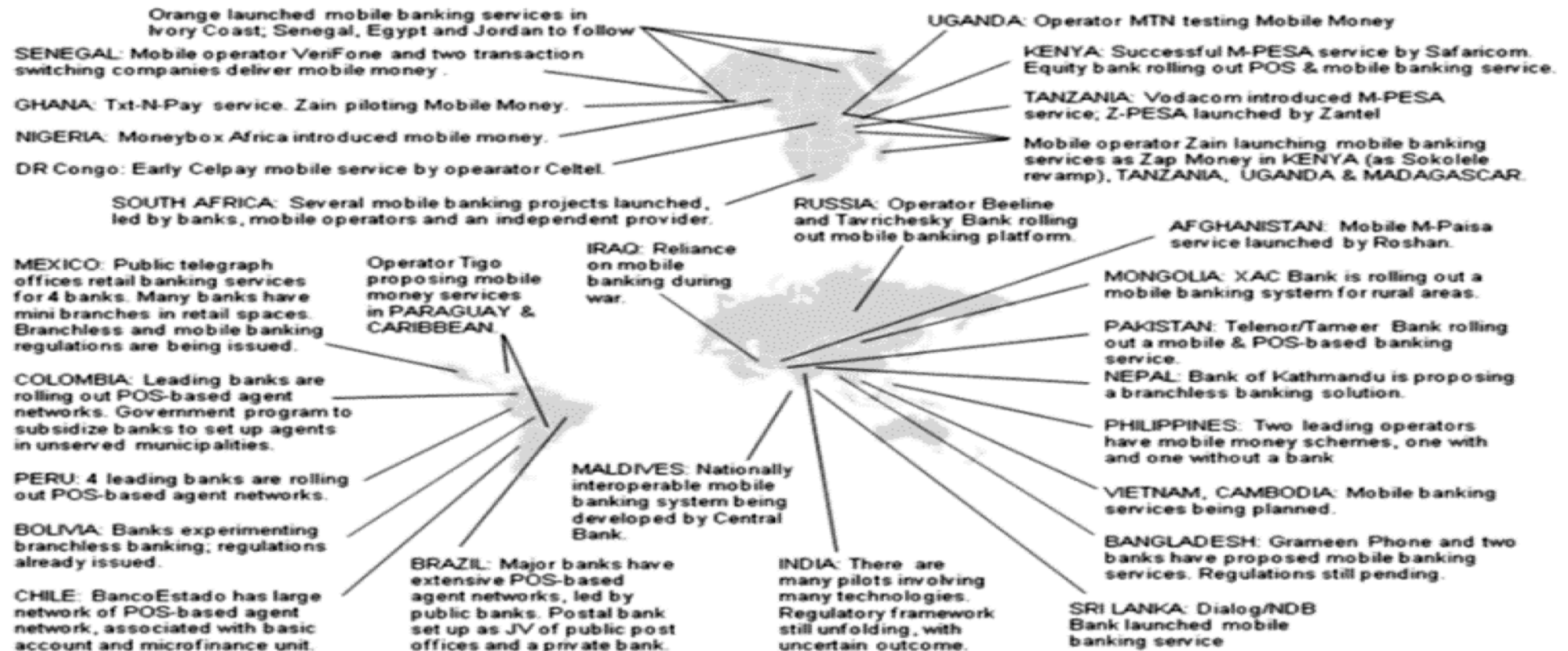
Introduction

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



Introduction

Figure 2. Branchless banking practices



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 non-bank 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 were 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

Introduction

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%
Motorcycle 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%

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

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 voucher	422	15.98

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 clients

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