Financial Education

Indonesian Experience

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Bank Indonesia
1. The Importance of Financial Education
2. Financial Literacy Survey Findings
3. National Strategy on Financial Inclusion
4. Financial Education Experiences: Bank Indonesia’s commitment on financial education
5. Challenges and Key Success
What Lead to Financial Exclusion?

Financial
Illiteracy

Financial
Discrimination

Financial
Exclusion

Financial
Exploitation

INNOVATIONS

Financial
Literacy

Financial
Fairness

Financial
Inclusion

Financial
Wealth

Economic
Growth
Higher level of education means higher awareness of how 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 which already include customer protection.

Source: World Bank, 2011
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Financial education is a primary factor on demand side for formal savings, loans and insurance\(^1\).

**Indonesia Financial Literacy Survey (2009)**\(^2\):

- Society awareness on financial products and services is in line with education level and society preference on financial products is highly affected by the promotion of the products over the safety guarantee of the savings.

**Indonesia Financial Literacy Survey (2012)**\(^3\):

- Financial literacy in Indonesia highly influence by gender, age, level of education (positive correlation), *risk aversion* (positive correlation), household income, distance from the house to the bank.

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1. Women have higher financial literacy than men. Further analysis shows women more dominant in financial behaviour while men tend to be more knowledgable.

2. Financial literacy closely related with age with pattern of an increasing financial literacy until at certain ages before starting to decline

3. Level of education influence the financial literacy level. Higher education level, shows higher financial literacy

4. The higher preference of risk aversion, the higher financial literacy

5. Household income highly influence the financial literacy. The higher the household income, the higher the financial literacy. However the increase on financial literacy show decreasing trend

6. Distance from home to the nearest bank show negative correlation with the financial literacy. As the distance getting more far, financial literacy in that area will be low
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The Role of Financial Inclusion in Financial Stability

Financial System Stability is a condition represented by a strong financial system capable of withstanding economic shocks, one that is able to ensure intermediary function, settlement of payments and diversification of risk.
Development Phase

- Monetary Transmission
- Financial Stability (Makroprudential)
- Payment system

- Financial Behaviour
- Preventive

- Financial Capability
  - (knowledge, skill, confidence and behaviour)

- Financial Literacy
- Responsible Finance

- Program
- Ultimate Goal
- Intermediate Goal
- Purpose
- Measure Type
- Targets
National Strategy on Financial Inclusion (has been launched on June 2012)

**Main Goal**

To reach economic welfare through poverty reduction, distribution income, and financial system stability in Indonesia by creating financial system that can be accessed by whole people in this country.

**Target Groups**

- Migrant Employee Group and People in Remote Areas
- Very Poor
- Working Poor/Productive
- Near Poor
- Non-Poor

**Strategy**

**6 Pillars of Financial Inclusion**

- Financial Education
- Public Financial Facility
- Mapping on Financial Information
- Supporting Regulation/Policy
- Intermediary/Distribution Facility
- Customer Protection
# Outline

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Indonesia’s Financial Education Programs

2007

- Education Task Force

2008

- Development of Financial Education Blue Print
- Implementation of Financial Education Blue Print
  - National Campaign “Let’s Go to the Bank”
    - Publication and distribution of education brochures and hand books
    - Education mobile
    - Thematic Education: Car Edu Day, Edu Migrant Worker
    - MoU with Indonesian Consumer Organization

2009

- National Campaign “3P”
- Indonesia Saving Movement (Gerakan Indonesia Menabung)
  - Public campaign
  - TabunganKu
  - Saving Movement for Students
  - Intensive campaign of GIM in 9 pilot project area
  - Website for information & Consumer Education
  - Education on financial and entrepreneurship to migrant worker
  - The increase of quality of TabunganKu
  - Curriculum for elementary and junior high school
  - MoU with Ministry of Education
  - MoU with Ministry of Manpower and Transmigration

2010

2011

2012

2013

- “Hari RABU” as Saving Day
  - National Curricula for high school
  - Banking Olympic
  - Edu selected communities (farmer, fisher, SMEs, rural and border line people)

Achievement of TabunganKu (November 2013): 8,174,519 accounts
Indonesia’s Financial Education Programs

One of the Recommendation from Financial Literacy Survey:
Policy intervention to increase financial literacy should be made **customized** which taking into account:
- Social characteristics,
- Economic condition,
- Demographic condition,
- Priority scale on each districts.

- **Financial Education**
  - National curricula (high schools).
  - School curricula for pilot project in 7 areas (elementary and junior high schools).
  - Financial education for others target groups (e.g. migrant workers, farmers, fishers)

- **Basic Saving Account**
  - Basic saving account (TabunganKu) with target additional 3 million accounts in 2013.
  - **Realization in 2013**: achieved additional 4,5 million TabunganKu accounts (151,3%)

- **Financial Literacy Survey**
  - Policy recommendations on financial education
  - Fine tune financial education program
Indonesia’s Financial Education Programs

**Websites**

Information and materials on financial education can be seen on Bank Indonesia’s website and members of financial education working group.

**Extracurricular Activities**

Banks activities can be played in mini banking as part of school extracurricular activities.

**Education Car**

- One of channel for socialization and dissemination of educational materials made through education car that visit some places as center of public crowd.
- Implementation MOBED conducted in Jakarta & surrounding areas, as well as in other 6 major cities (Medan, Bandung, Semarang, Surabaya, Denpasar & Makassar)

**Brochures and Books**

48 kinds of brochure concerning:
- Banking institution
- Banking services, etc.

6 modules for teaching materials:
- Elementary school (1 student handbook, 2 teaching modules)
- Junior High (1 student handbook, 2 teaching modules)
Financial Education Programs 2014

- Financial Education for Students
- Financial Education & Entrepreneurship for Migrant Worker
- Monitoring program
- Financial Education & Entrepreneurship for Specific Target Groups (Farmers, Fisherman, Labor, etc)
- Financial Education for DFS Agents
- National Campaign
- Release Financial Education Publication
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The ultimate intention of financial education for financial inclusion is to support behaviour change and awareness to select the proper financial products.

Awareness of the products available within a country is an important prerequisite for financial inclusion.

The Importance of improved financial inclusion, financial education and consumer protection for financial stability and inclusive development is globally acknowledged.

*The role of financial education in improving levels of financial inclusion around the world are clearly stated by three sets of principles endorsed by G20 leaders.*


Challenges in Financial Education

- Financial education is an **ongoing process** that requires a **strong commitment** among the parties.

- Shifting the paradigm from **“education is just a charity program”** to **“education is part of business”**. This means that financial institutions must include financial education program in running their business.

- A vigorous and **continuous campaign** of saving especially for **young people and children**. This will create a younger generation who have been provided with good financial management.

- To optimize the result of financial education program, it should be supported with the presence of **formal financial services** in the area. In case there is no financial institution branch in the area, placing agents of financial institution could be a solution.

- Continues financial education program needs **coordination and collaboration** amongst institutions.

- To achieve optimal results should be supported by **adequate monitoring and evaluation mechanisms**. However, we need quantitative indicator.
THANK YOU