

Financial Inclusion, Financial Regulation and Financial Education in Asia: Case of Indonesia

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**OECD/Japan High-level Global Symposium: *Promoting
better lifetime planning through financial education***

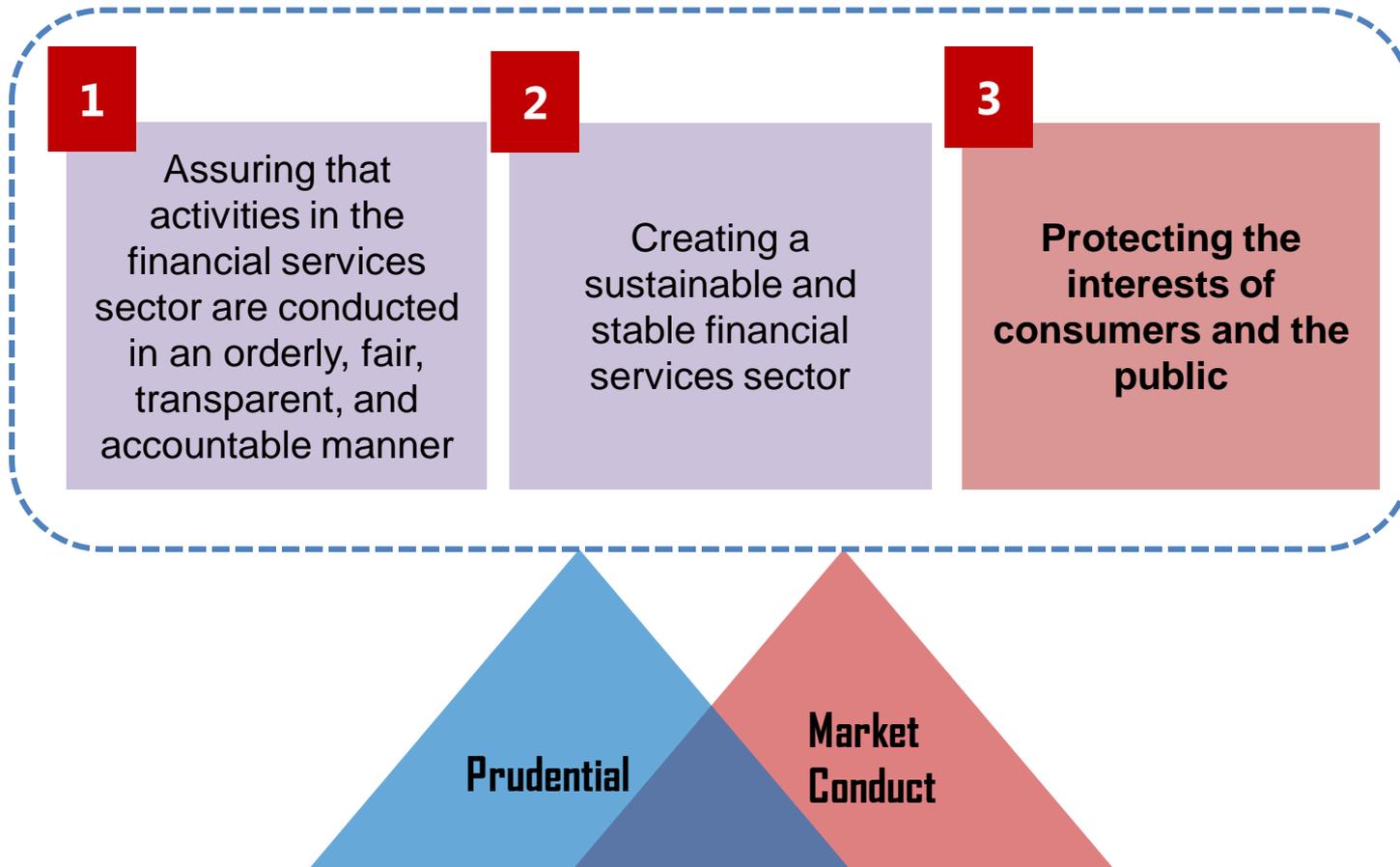


Consumer
Education and
PROTECTION

To Educate and Protect Consumer

Three Objectives of The Establishment of Indonesia FSA

OJK has three objectives as stipulated in the Law.



There Objectives of The Establishment of Indonesia FSA

Being the unified regulator, OJK has considerable advantages to stimulate financial inclusion programs:

- First, financial inclusion programs and performance monitoring can be conducted more comprehensively and integrated in the matters of supply, demand, and infrastructure.
- Secondly, in line with our role in education and protection over financial consumers and society, OJK has the breadth of policy options to improve the overall financial inclusion, especially in the stimulating the demand side of the market.



National Strategy on Financial Literacy

Launched by the President as a guidelines for financial authority, financial institutions and other stakeholders

VISION

Support the realization of well literate society and increase the use of financial products to improve the welfare of the community.

PRINCIPLE



PILLARS



Collaboration w/ Stakeholders

TARGET



Well Literate Society

- Professional
- Employee
- MSMEs
- Housewives
- Students
- Pensioners

2014

2015

2016

- Housewives
- MSMEs



- Students
- Professional



- Employee
- Pensioners

FOSTERING ECONOMIC GROWTH AND ACCELERATING POVERTY REDUCTION

Financial
Education

Financial
Eligibility

Financial
Information
Mapping

Supporting
Policy/
Regulation

Distribution
and
Institutional
Facilities

Consumer
Protection

To Achieve a Financial System that is Accessible by All Layers of the Community and to Promote Economic Growth, Poverty Reduction and Income Equality

The High Potential Demand for Financial Products & Services

GDP per capita, which in 2014 amounted to Rp43,403 million targeted to increase to Rp72,217 million in 2019

Economic growth is expected to increase from 5.1% in 2014 to 8% in 2019

Population is about 250 million people. Equivalent to 40% of the population of ASEAN countries

5,066 large-sized enterprises, 52.106 medium-sized enterprises, 654.222 small-sized enterprises and 57.19 million micro-enterprises

The overall potential for Growth, Indonesia has a lot to offer and with it the potential for the overall increase in income for the nation. As such, it is natural to expect a stimulated demand for financial products and services.

Low income levels

Complicated operational
procedures of financial
institutions

Lack of financial education

High administrative fees

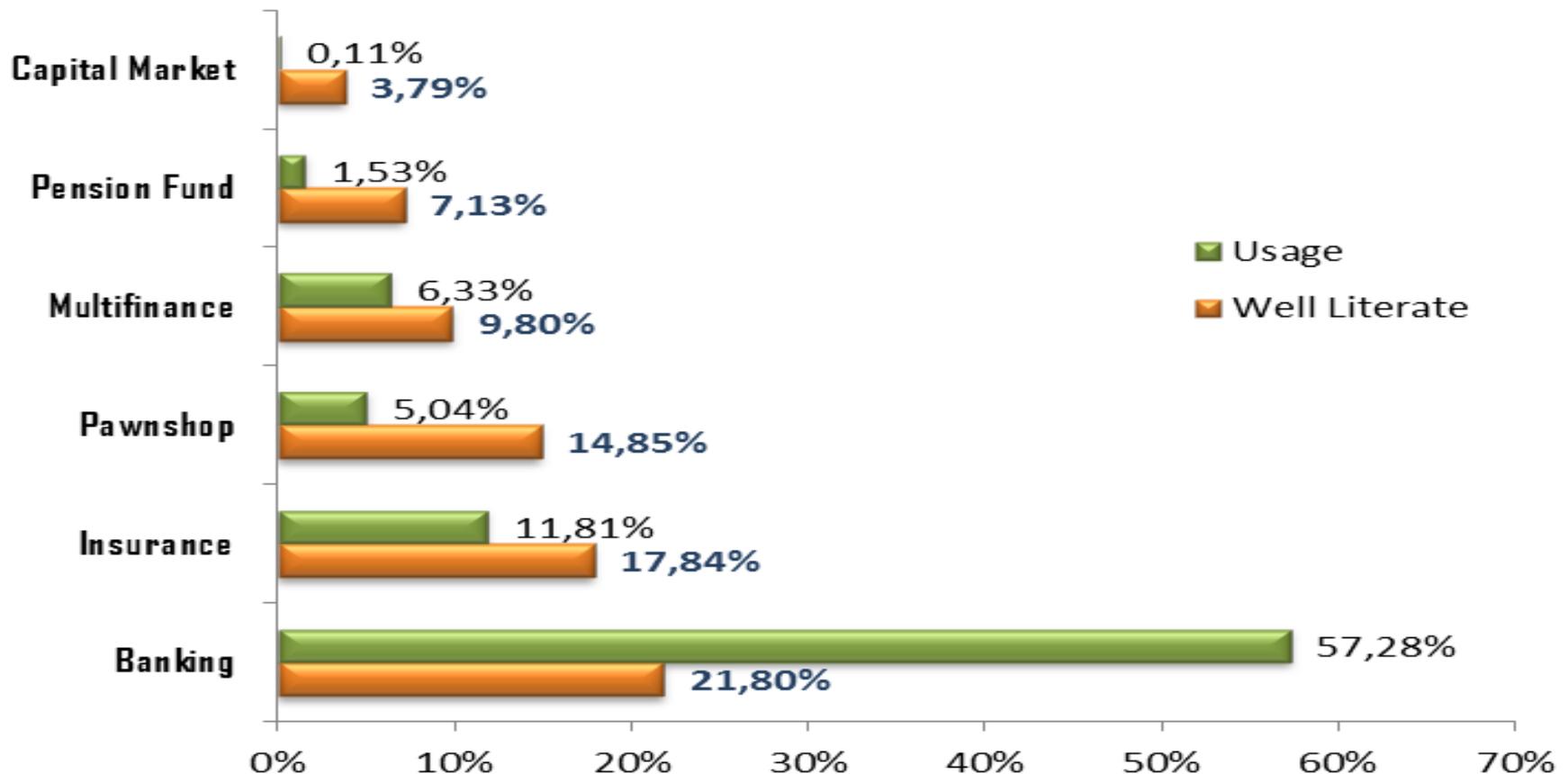
Limited access due to
geographical

Only 49% of households in
Indonesia have access to formal
financial institutions

52% of Indonesia's population
lives in rural areas and about
60% of them do not have
access to formal financial
services

Baseline Financial Literacy Survey

Only 21.84% of Indonesia's population classified as well literate The Utilities Index Products and Financial Services in Indonesia was 59.74%



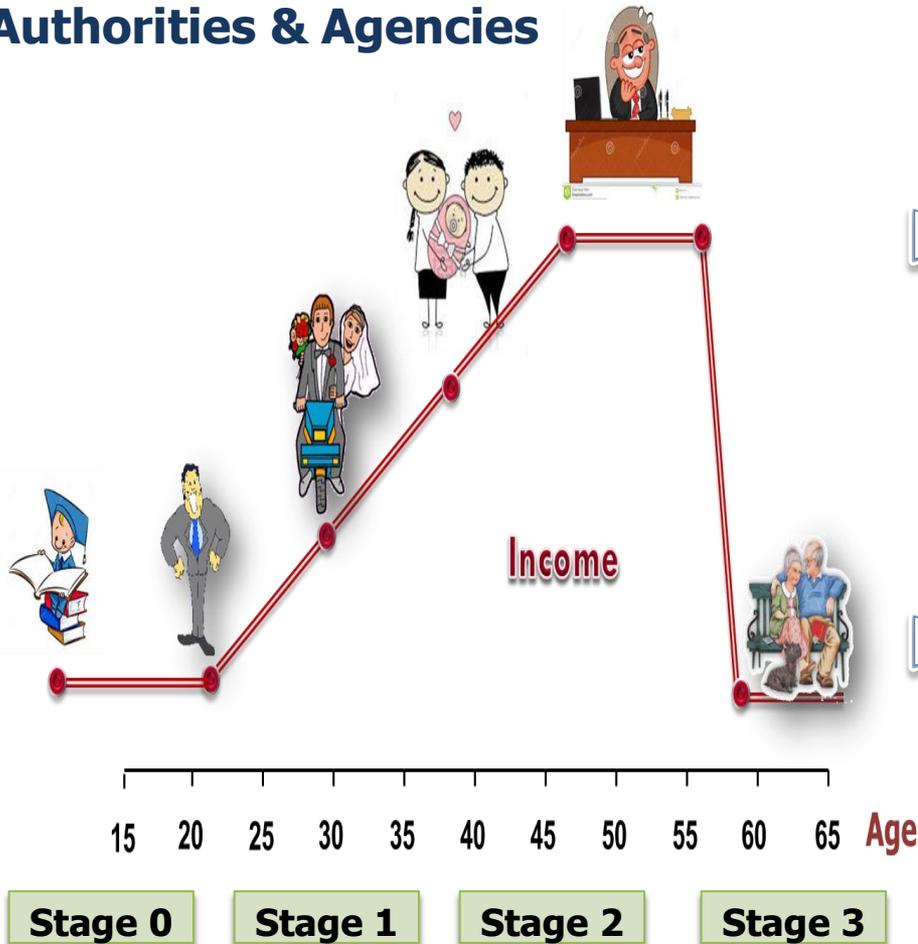
Consumer Education & Protection

- Establishing Financial Consumer Care (FCC).
- Enacting OJK Regulations concerning consumer protection.
- Establishing Alternative Dispute Resolution (ADR).
- Implementing market intelligence activities.
- Conducting education and socialization programs through various communication & publication media.
- Conducting National Survey on Financial Literacy in 2013.
- Launching Blueprint of National Strategy on Financial Literacy.
- Launching financial education website & financial literacy cars.

Three issues to achieve a financially inclusive Asia

1. First is **the quality of regulatory policies**. Evidence is limited on which policies work best in each country. These need to be verified to ensure that policies are indeed addressing the right problems of financial access in the country.
2. Second, it is also important to **have a positive enabling environment for promoting financial inclusion**. Policies that support financial inclusion have to be closely connected with the pursuit of macroeconomic stability. Financial access is impossible without increasing the capacity of individuals and firms to access higher income levels.
3. Third, greater financial inclusion is only possible if **undertaken responsibly**. In as much as inclusion is about increasing the capability to use financial services, it is crucial that those who are directly affected are financially literate and capable.

Coordination among Government, Authorities & Agencies



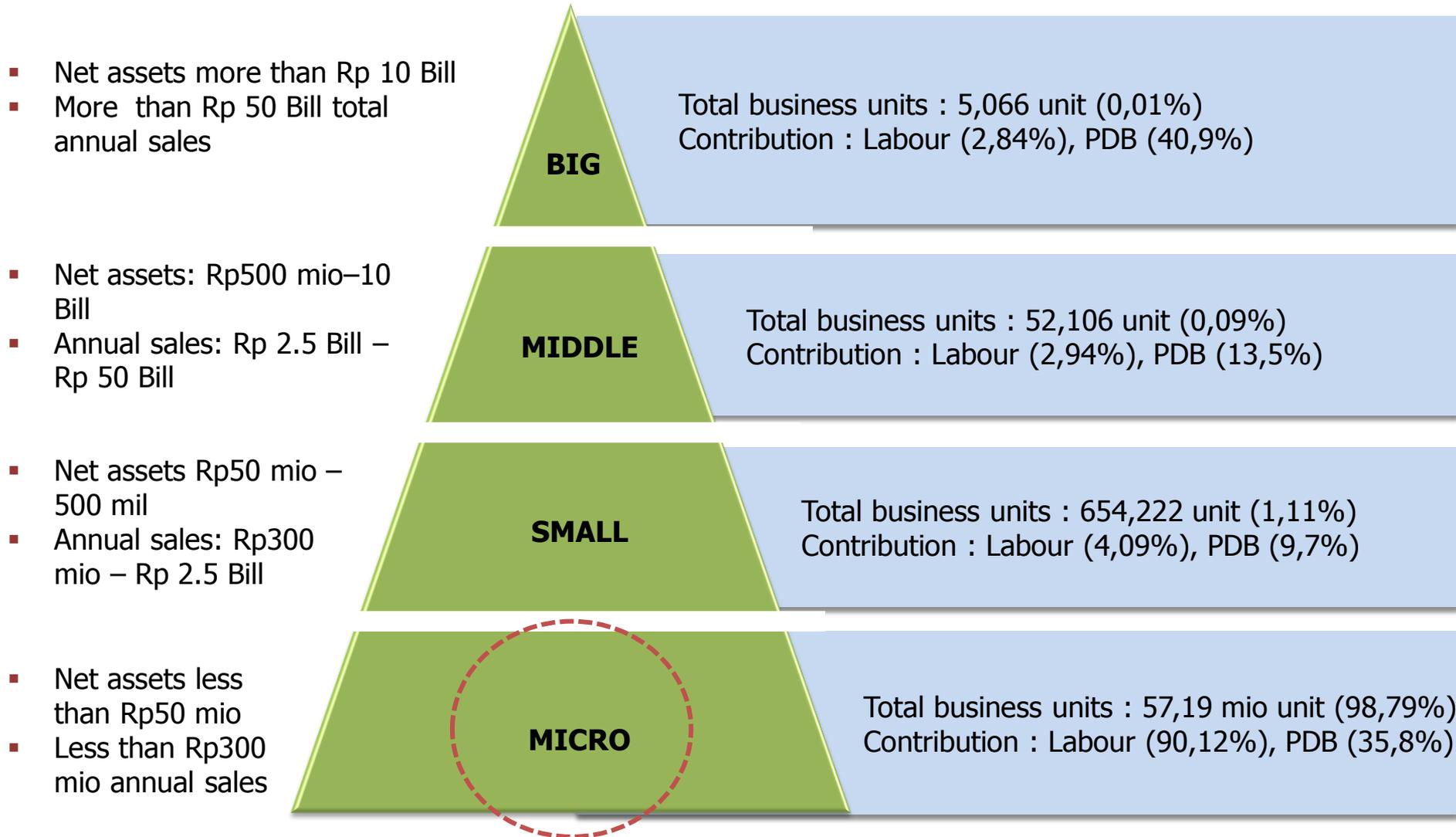
▶ Financial Education is a life-long process that begins in childhood and continues through to old age.

▶ Financial education programmes should provide materials that match :

- the participants needs
- the participants characteristics

▶ Financial education programmes should create creative method to deliver material due to difference in level of income, age, education and other characteristics of the participants.

Micro Small & Medium Enterprises



1. First, has an adequate level of personal entrepreneurial competencies, personal finance skills, and business management skills; has an appropriate level of understanding of functional financial management systems;
2. Second, has an appropriate level of understanding of SME life-cycle funding and other financial services needs and options and knows where and how to source and negotiate those funding and service requirements;
3. Third, understands and can manage financial risks or seek relevant advice to manage such risks;
4. Fourth, understands legal, regulatory and tax issues as they relate to financial matters; and
5. The last one is understands the range of legal recourses it can resort to when necessary, and namely, in case of bankruptcy or other situations of financial distress.

Require
Long-term
Changes

Require
Committed
Engagement
of Diverse
Stakeholders

Significant
research is
needed. ADB
Institute, JFSA
Institute and
OECD can play a
critical role

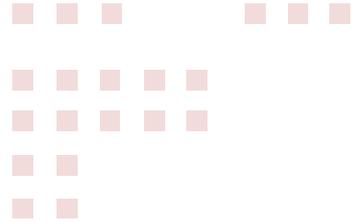
The role of
private sectors
which are
active in
various
jurisdiction

The
Technological
Developments
- Delivery
Channels

Regulators:

- must be abreast with the latest developments in the markets from all angles and be able to identify the need to correct market imbalances by deploying a structured and comprehensive intervention plans to promote the overall literacy and education;
- maintaining a conducive and facilitative regulatory systems that promotes greater equitable access to finance, improving the access frontier strategically for the target demography; and
- maintaining overall financial stability by ensuring that significant build-up of exposures are identified.

Promoting the advancement of financial inclusion and financial education as a path towards the overall reduction of poverty and a more equitable and sustainable economic growth



Thank You

