2018 Financial Inclusion Work Plan for ABAC
April 2018

Update for the Advisory Group on APEC Financial System Capacity-Building
• Policy dialogue for Senior Government Officials and Industry Experts on the topic of “The Inclusion Imperative - Advancing Policies, Targets and Plans”
• Roundtable format (50-60 participants) with a focus on identifying concrete actions
• Key themes:
  • **Day 1: Financial Inclusion**
    • Promoting appropriate financial products and services for the poor with a focus on digital innovations, including support for Nano, Micro and Small Enterprises.
    • Exploring the role of distributed ledger technologies and alternative currencies in accelerating inclusion.
    • Promoting regional standards and policies that lead to conducive regulatory environments that enable greater inclusion.

• **Day 2: Economic Inclusion**
  • Utilising distributed ledger technologies to advance opportunities for asset accumulation among the poor.
  • Creating equal access to economic opportunities through structural reforms, leveraging the digital revolution
  • Deepening regional integration, trade and investment by improving trade facilitation, access to markets, digitisation of Nano Micro and Small Enterprises (NMSE) and trade.
MEKONG
INCLUSIVE GROWTH FORUM

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
<th>Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-6 September 2018</td>
<td>Bangkok, Thailand</td>
<td>FDC, Asian Development Bank Institute, UNCDF, ADA, Thai Bankers’ Association, Thai Government (TBC)</td>
</tr>
</tbody>
</table>

• Policy dialogue for Senior Government Officials and Industry Experts - “Achieving Regional Connectivity in the Digital Era”
• Roundtable format (50-70 participants) with focus on increasing regional cooperation
• Exclusive focus on the Greater Mekong Subregion (Thailand, Vietnam, China, Laos, Myanmar, Cambodia)

• Key themes: Trade, Migrants, Remittances
  • Financial Systems Integration – Increasing the flow and affordability of cross-border finance.
  • Cross-border Partnerships – Cross border data sharing and increasing levels of financial education.
  • Digital Financial Services – Utilising technologies to improve the quality of cross-border finance.
THE ROLE OF WOMEN
IN INCLUSIVE GROWTH

Data to be collected from 10 sample countries across Asia-Pacific (TBC target countries are Pakistan, Sri Lanka, India, Nepal, Myanmar, Philippines, Indonesia, Vietnam, PNG and New Zealand)

Study aims to answer four specific research questions:

1. What is the role of digital financial services in improving women’s financial inclusion?
2. In what ways do women embrace financial opportunity?
3. What role do women play in creating portfolios of securitising services and assets within their families or communities?
4. What role do women play in graduating their families or communities into full economic inclusion?
INCLUSIVE GROWTH AND DEVELOPMENT CAUCUS

Function:
• Represents a core group of experts who provide support for ABAC’s Financial Inclusion activities.

• Utilising institutional and individual knowledge and capabilities to examine issues associated with building stronger and more inclusive economies. Examples include (but are not limited to):
  • Opportunities created via Fintech/DFS.
  • The role of DLT and cryptocurrencies in accelerating financial and economic inclusion.
  • Data, analytics and AI applications to understand financial attributes and behaviours of the poor.
  • Creating finance opportunities for nano, micro and small enterprises (NMSEs), particularly within the informal sector
  • Advising on Interventions / implementation opportunities and approaches that will accelerate inclusion

Current Members:

• Bank Mandiri – Pak Kartika Wirjoatmodjo – CEO and ABAC Indonesia Member, and Mr Andry Asmaro, Economist
• Asian Development Bank Institute (ADBI) – Dr Peter Morgan – Senior Consulting Economist and Research Co-Chair
• PacWealth Capital – Drs Eric Kramer - CEO
• MicroSave – Mr Manoj Sharma – Managing Director
• EY – Ms Duong Nguyen – Partner and Financial Services Leader Vietnam
• Paypal – Mr SuuWei Ho – Director
SPECIFIC CAUCUS CONTRIBUTIONS

• Bank Mandiri
  • National strategies to accelerate financial inclusion, increase DFS access and affordability, increase % digital payments
  • Strong focus on leveraging dynamic Nano – Micro and Small Enterprise sector including a focus informal economy enterprises

• Asian Development Bank Institute (ADBI)
  • Financial Inclusion policy think tank and research

• PacWealth Capital
  • Participation of pension funds in the creation of dynamic Nano- and MSM – Enterprises
  • Creating the structural and institutional environment in terms of economic policy that addresses pathways to optimise the investment and utilisation of pension funds

• MicroSave
  • Financial inclusion and the informal economy

• EY – Ms Duong Nguyen
  • Data imperatives, analytics
  • Agri-business and NMSE
  • DFS, Supply Chain digitisation, NMSE digital marketplaces

• Paypal
  • DFS, DLT, and NMSE
BANK MANDIRI’S ROLE IN SUPPORTING FINANCIAL INCLUSION IN INDONESIA
Financial Inclusion one of the main challenges in Indonesia
There is a gap in Financial Literacy that affect to Financial Inclusion

Source: OJK
Bank Mandiri’s role in supporting Financial Inclusion in Indonesia

• Besides focusing on its businesses, Bank Mandiri also committed as an Agent of Development through numerous programs, either initiated by Bank Mandiri (Corporate Social Responsibility) or the Government.

• Bank Mandiri has formed a Work Unit that focuses on government program implementation. Located in the Head Office, the unit is supported by other work units at the Head Office/Regional/Area and Branch offices.
Starting 2016, Government has several social assistance programs as social protection program

Programs that are available for social purposes, increase and reduce poverty as it worsens economic conditions.

<table>
<thead>
<tr>
<th>Program</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers Card</td>
<td>800</td>
<td>2 mn</td>
</tr>
<tr>
<td>Prosperous Family Program</td>
<td>695</td>
<td>3 mn</td>
</tr>
<tr>
<td>Smart Indonesia Card</td>
<td>160 th</td>
<td>17.9 mn</td>
</tr>
<tr>
<td>Healthy Indonesia Card</td>
<td>87 mn</td>
<td>190 mn</td>
</tr>
</tbody>
</table>

Branchless Banking
Flow of the social assistance distribution using the banking sector: Hope Family Program case

1. Ministry of Social Affairs
   - Instruction to transfer the fund to Ministry's current account

2. Head Office Bank Mandiri
   - Overbooking to beneficiaries' e-Wallet and Freezing the account

3. Proses One to Many
   - Disbursement to beneficiaries

4. Disbursement through Agent/ATM/Branch

Coordinating with Social Services & PKH Assistant to decide date & time of disbursement

KPM Not Eligible

Returning Data to Ministry
The result is significant: Both for Financial Inclusion improvement and better social assistance disbursement

A. **Family Hope Program (PKH)**
   Bank Mandiri has distributed the fund to all over Indonesia for the beneficiary families in 154 regencies/cities, 1,671 districts, and 17,450 Villages.

B. **Non Cash Food Aid Program (BPNT)**
   Throughout 2017, Bank Mandiri has distributed the aid to 10 regencies/cities, 12 districts, and 96 villages in Indonesia, in total the beneficiary families can amount to 38,465 families with the help of 93 agents helping on disbursement.
The result is significant: Both for Financial Inclusion improvement and better social assistance disbursement

**A. PKH Disbursement Progress Per December 31 2017**

<table>
<thead>
<tr>
<th>Stage</th>
<th>Target SP3d (KPM)</th>
<th>Fund (Rp mill)</th>
<th>E-Wallet Created</th>
<th>Fund transferred to beneficiary</th>
<th>Fund disbursed (KPM)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>KPM (person)</td>
<td>Fund (Rp mill)</td>
<td>%</td>
</tr>
<tr>
<td>1</td>
<td>1,023,092</td>
<td>511,546</td>
<td>1,021,080</td>
<td>99.80%</td>
<td>510,540</td>
</tr>
<tr>
<td>2</td>
<td>1,011,869</td>
<td>505,935</td>
<td>1,009,897</td>
<td>99.80%</td>
<td>504,949</td>
</tr>
<tr>
<td>3</td>
<td>941,640</td>
<td>470,820</td>
<td>939,689</td>
<td>99.79%</td>
<td>469,845</td>
</tr>
<tr>
<td>4</td>
<td>944,605</td>
<td>372,511</td>
<td>943,610</td>
<td>99.90%</td>
<td>372,149</td>
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</table>

**A. BPNT Disbursement Progress Per December 31 2017**

<table>
<thead>
<tr>
<th>Stage</th>
<th>Target SP2d (KPM)</th>
<th>Fund (Rp Mill)</th>
<th>Fund transferred to beneficiary's E-Wallet</th>
<th>Fund disbursed through E-Wallet</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>KPM (person)</td>
<td>%</td>
</tr>
<tr>
<td>1</td>
<td>40,065</td>
<td>8,814</td>
<td>40,065</td>
<td>100.0%</td>
</tr>
<tr>
<td>2</td>
<td>38,545</td>
<td>8,486</td>
<td>38,545</td>
<td>100.0%</td>
</tr>
<tr>
<td>3</td>
<td>38,545</td>
<td>8,486</td>
<td>38,545</td>
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<td>4</td>
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<td>8,486</td>
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<tr>
<td>5</td>
<td>38,545</td>
<td>8,486</td>
<td>38,545</td>
<td>100.0%</td>
</tr>
<tr>
<td>6</td>
<td>38,545</td>
<td>8,486</td>
<td>38,545</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
Indonesia's financial literacy index rose by 7.9% and financial inclusion index increased by 8.1%

<table>
<thead>
<tr>
<th>Year</th>
<th>Financial Literacy Index</th>
<th>Financial Inclusion Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>21.8%</td>
<td>59.7%</td>
</tr>
<tr>
<td>2016</td>
<td>29.7%</td>
<td>67.8%</td>
</tr>
</tbody>
</table>

**Trilogy of Policy Instrument in Consumer Empowerment**

2. National Strategy for Financial Literacy
3. National Strategy for Financial Inclusion

**Financial Literacy Index Target in 2019**

35%

Financial services providers (includes banking institution) are obliged:

- To have a function to implement, monitor and evaluate financial literacy and inclusion activities
- To make and submit financial literacy and inclusion activities plan once a year

*Source: OJK*
The challenges during the disbursement (1/2)

- Beneficiaries Data differs
- Disbursement & Cashing Out Agent
- Insufficient infrastructure in Remote Area
- Disbursement and Cashing Out Platform
- High Expenses to Disburse the aid in Remote Area
The challenges during the disbursement (2/2)

The disbursement team encountered a crocodile on their way to a beneficiary in Kalimantan.

The journey to Toli-toli Regency, Southeast Sulawesi, has to pass this muddy road.

Disbursement to Wasior, Teluk Wondama Regency – 14 KPM.
Thank You