Financial Well Being in a Digital World: 
An Opportunity for a Breakthrough

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The Role of IFSA

Opportunity and Challenges

Digital Financial Services

The Current Growing of Digital Financial Services in Indonesia
Digital Financial Services

Snapshot of Indonesia Financial Services

**Banking**
- Aset/GDP 2014: **54.1%**
  - Asset Mei 2015: Rp1.643 T (USD 118 Billions)
- Asset Growth (ytd: 5/2015): **3.2%**

**Capital Market**
- Market Cap/GDP 2014: **49.6%**
  - Market Cap 4 Sept 2015: Rp4,555 T (USD 325 Billions)
- IHSG (ytd – 4/9): **-15.53%**

**NBFI**
- Aset/GDP 2014: **14%**
  - Asset Mei 2015: Rp1.655,4 T (USD 118 Billions)
- Asset Growth (ytd: 5/2015): **11.3%**

**Number of Companies**
- Banking: 119 Commercial Banking
  - 1,643 Rural Banking
- Emiten: 510
- Insurance Companies: 142
  - Finance Companies: 270
Digital Financial Services

Dominations of the Banking System and its Current Application of Digital Financial Services

The percentage of conglomeration banks (Systematically Important Bank = SIB) compared to total Bank in Indonesia

The percentage of conglomeration banks asset compared to total Bank asset in Indonesia

They already implemented Digital Financial Services

Banking
- Opening an account
- Cash In & Out
- Balance Inquiry
- Transfer
- Overbooking
- Prepaid Mobile Phone
- Payment of bills
- Information
- Filed a Complaints

Capital Market
- Opening an account
- Cash In & Out
- Balance Inquiry
- Information
- Complaints

NBFI
- Opening an account
- Cash In & Out
- Balance Inquiry
- Information
- Complaints
Digital Financial Services

However, Digital Crime become so popular in Indonesia ...

**Card Skimming**
The installation of a magnetic card reader over the real ATM's card slot

**Card Trapping**
Taking a card by using a foreign object, such as matches, glue, etc

**Phishing/Malware**
*Phishing* is the attempt to acquire sensitive information such as usernames, passwords, and credit card details

**Total Loss:**
Rp16,6 M or USD 1.2 Millions

**Recovery:**
Rp8 M or USD0.5 Millions

- Illegal Product Offering through SMS
- Fight against Illegal Investment
- **ACCESS DENIED**
- Blocking the websites
- Mystery Shopping
Opportunity and Challenges

The Role of IFSA

Digital Financial Services

Opportunity and Challenges to Reach a Breakthrough
Opportunity and Challenges

Indonesia has a Big Opportunity ...
With the rise of Mobile Phone and Internet Users

> 310 million
Mobile Phone Subscribers in Indonesia

± 13 millions
Poor household have mobile phone

2,3%
Internet Users is from Indonesia

40% of Internet Users Spend > 3 hours/day

Almost 50% of Total Population

Majority Users between 15 – 35 yo

> 310 million
Mobile Phone Subscribers in Indonesia

Source s: Bank Indonesia, 2014
Opportunity and Challenges

Demographic Opportunity with the rise of Consuming Class and Demographic Bonus ...


Geographic Opportunity with Indonesia as the biggest archipelagic Countries, with 17.504 island.

Many underbank area in Indonesia and higher demand of financial inclusion will shift financial institutions to the digital technology ...

Source: BI, 2013

In the period of 2020-2030, the dependency index will reach its lowest point. More than 60% of the population is in the working age, providing a dynamic workforce.

Consuming Class: Individuals with an annual net income of above $3,600 at 2005 purchasing power parity

The estimated cost per transaction based on channel

Source: The Financial Brand, 2014
Opportunity and Challenges

However, Indonesia still face a Big Challenges...

1. The Number of Financial Crime, as well as Illegal Investment

There are 345 suspected illegal companies. (21/8/2015)

Also supported by internet and mobile services

2. Poverty and Equality

Poverty was halved to 10.96%.

HOWEVER, an additional 27% population lives just above the poverty lines. Indonesia also experienced rising rates of inequality.

Source: WB, 2014

3. Literacy and Inclusion Level

Source: OJK, 2013

4. Strengthen the Collaboration and Coordination with Public and Private Sector.

Ministry of Communication and IT

Broad Band expansion, Satellite and other initiatives

Indonesian Telecommunication Regulatory Agency
Opportunity and Challenges

Digital Financial Services

The Role of IFSA

Embracing Rapid Innovation and Mitigating Consumer Risk: The Role of IFSA
The Role of IFSA

Otoritas Jasa Keuangan (OJK)

Indonesia Financial Services Authority

Mission 1

The overall activities within the financial services sector are implemented in an organized, fair, transparent and accountable manner

Mission 2

Able to realize the financial system that grows in a sustainable and stable manner

Misi 3

Capable of protecting the interests of consumers and the society

Financial Inclusion
Financial Literacy
Consumer Protection

The Trilogy of Policy Instruments

Financial WellBeing
## The Role of IFSA

### Before

- **No Regulator in Financial Education & Consumer Protection**
  - OJK started its function as financial supervisors
  - OJK started financial education and consumer protection program

- **No guidelines on Financial Education dan Consumer Protection**
  - OJK issued National Strategy on Financial Literacy
    - Education and National Campaign
    - Strengthening the Infrastructure
    - Development of Products and Services
  - OJK issued the Financial Consumer Protection Regulation

- **No contact centre/media for information**
  - OJK launched Financial Consumer Care (FCC)
  - OJK launched financial education website

- **No official number on the literacy and inclusion level**
  - OJK conducted national survey on financial literacy
    - 21.8% financial literacy
    - 59.7% financial inclusion
The Role of IFSA

IFSA will continue to expedite ...

Laku Pandai (Branchless Banking)

Fully dedicated to support financial inclusion. The targeted segment is *unbanked dan unbankable people*

Reaching all levels of society with affordable cost, and offer products that can meet the needs of the society.

Customer

Transaction

Literacy Agent

Inclusion Agent

Fund Management

2015 Target
- 17 Banks (currently 6 Banks)
- 350,000 agents, covering 75% of Indonesia’s regions
The Role of IFSA

IFSA will continue to mitigate risk ...

Consumer Protection Regulation

Financial Institutions should submit the most current information and accessible to consumers about the products and services.

Financial Institutions responsible for any Consumers losses arising from errors from Financial Institutions or third parties.

Financial Institutions are required to have dispute resolution mechanisms

Training of Trainers

- Regional Govt. Instructor
- Farmers Instructor
- Family Planning Instructor
- Teachers

Fight against Illegal Investment

Task Force on Illegal Investment, involving 8 Agencies

Education Tools

- Education Website
- Social Media
- SiMOLEK
- Mobile Apps

The Role of IFSA

1. Consumer Services
   - A facility for consumer. Accessed: konsumen.ojk.go.id using given ticket number and PIN.

2. Traceable & Trackable

3. Integrated: One Gate Policy

4. First Complaint Handling by FIs
   - Stage 1: Consumer interacts with FI
   - Stage 2: OJK intervenes

5. Ease of Access
   - Available at 35 OJK Office

IFSA will continue to mitigate risk...
The Role of IFSA

IFSA will continue to pursue Financial Well-Being to All Customer

Indonesia’s economic turnaround has been impressive, with the steady increase of GDP ...

However ...

Indonesia has experienced one of the fastest rising rates of inequality in the East Asian region

In Addition, GDP per capita increased from US$2,737 to US$4,272 between 2001 and 2012.

Therefore,...

- Financial Literacy
- Financial Inclusion
- Consumer Protection

Also focus on program for productive low income people.

Not to lose sight of the ultimate goal – ENSURING THE FINANCIAL WELL BEING OF ALL CUSTOMER

Sources: WB, 2014
THANK YOU

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