

Financial Education

Indonesian Experience

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Financial
f
inclusion



Outline

1

The Importance of Financial Education

2

Financial Literacy Survey Findings

3

National Strategy on Financial Inclusion

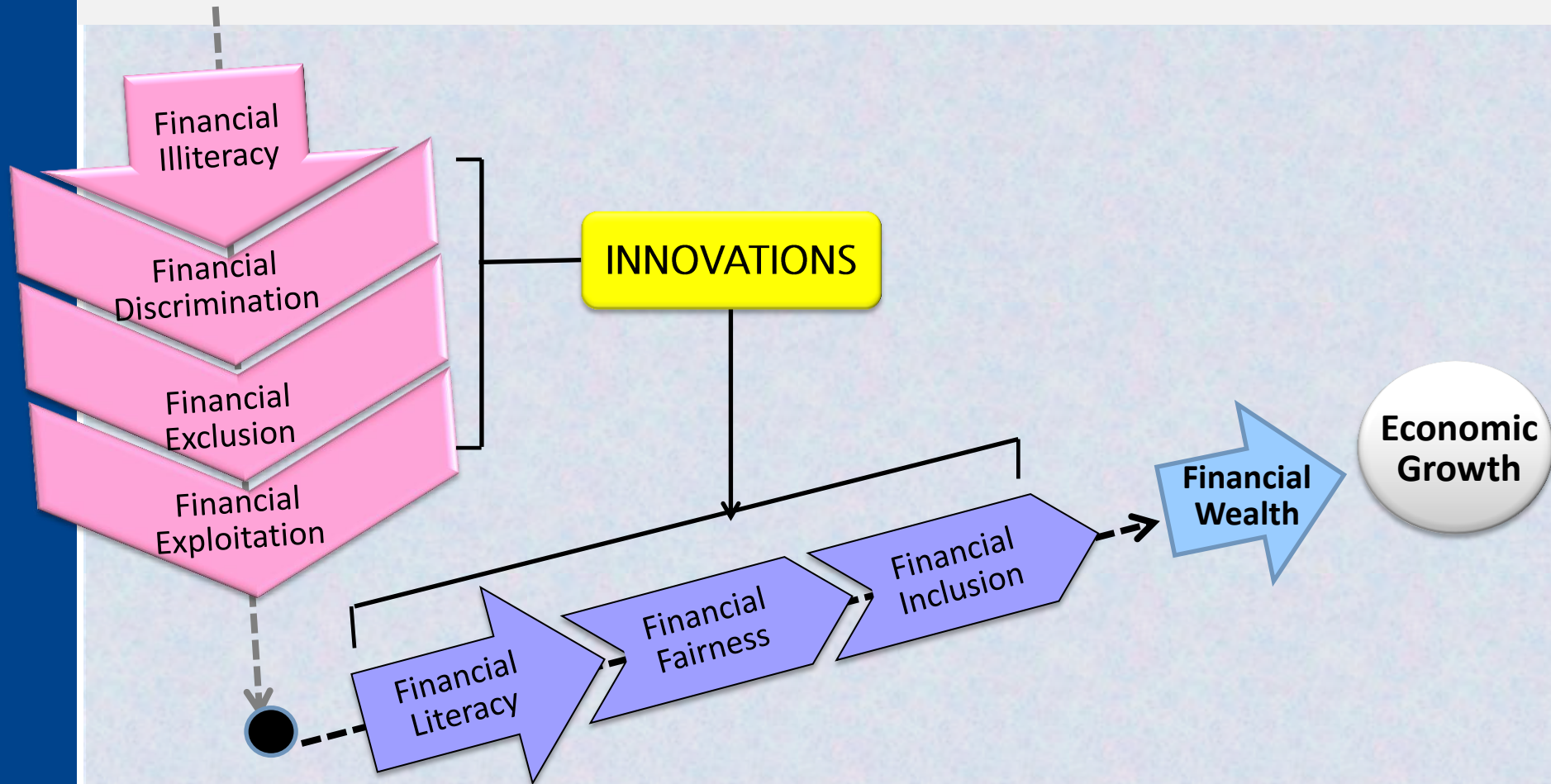
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Financial Education Experiences: Bank Indonesia's commitment on financial education

5

Challenges and Key Success

What Lead to Financial Exclusion ?

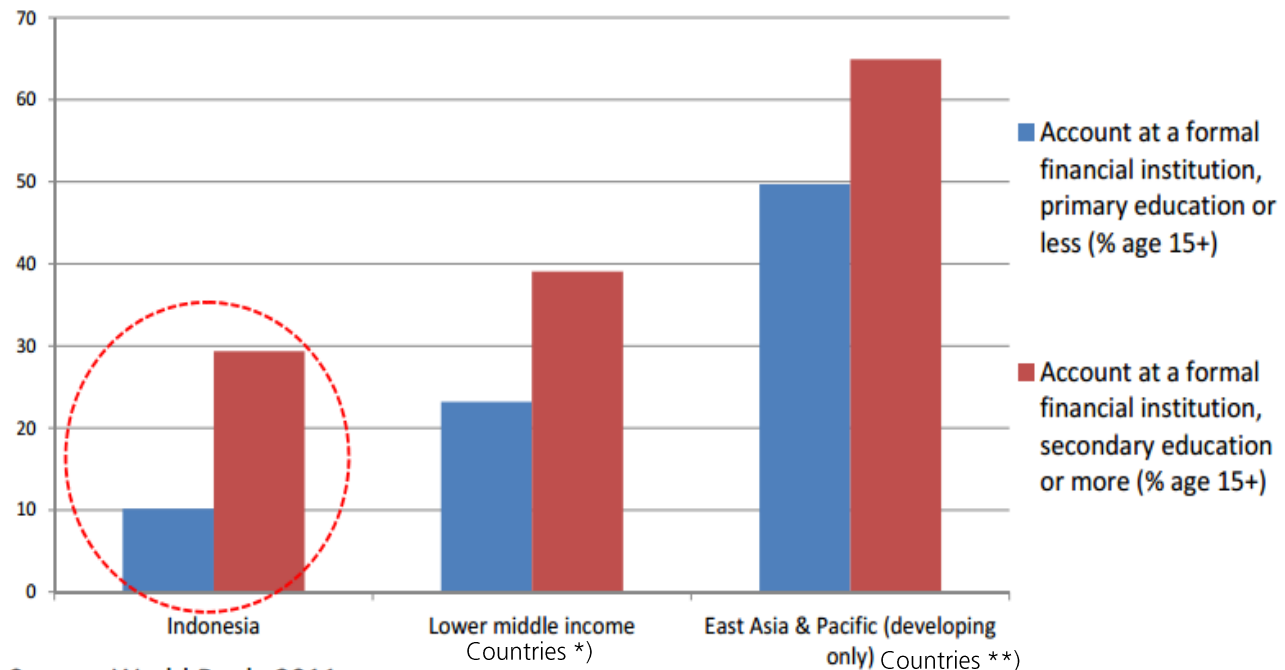


Education Boost Access to Finance

Higher level of **education** means higher **awareness** of 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**.

Access to Finance by Level of Education (in %)



Financial Education

Financial Access

Financial Capability

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Challenges and Key Success

Financial Literacy Survey Findings

Financial education is a primary factor on demand side for formal savings, loans and insurance¹.

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 .

¹) Cole S, Sampson T, dan Zia B. 2009. Prices or Knowledge? What Drives Demand for Financial Services in Emerging Market.

²) Bank Indonesia dan LD-FEUI. 2009. Tingkat Literasi dan Pemahaman Masyarakat terhadap Produk Keuangan dan Perbankan.

³) Bank Indonesia dan LD-FEUI. 2012. Financial Literacy Survey.

Detail Finding on Financial Literacy Survey 2012

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

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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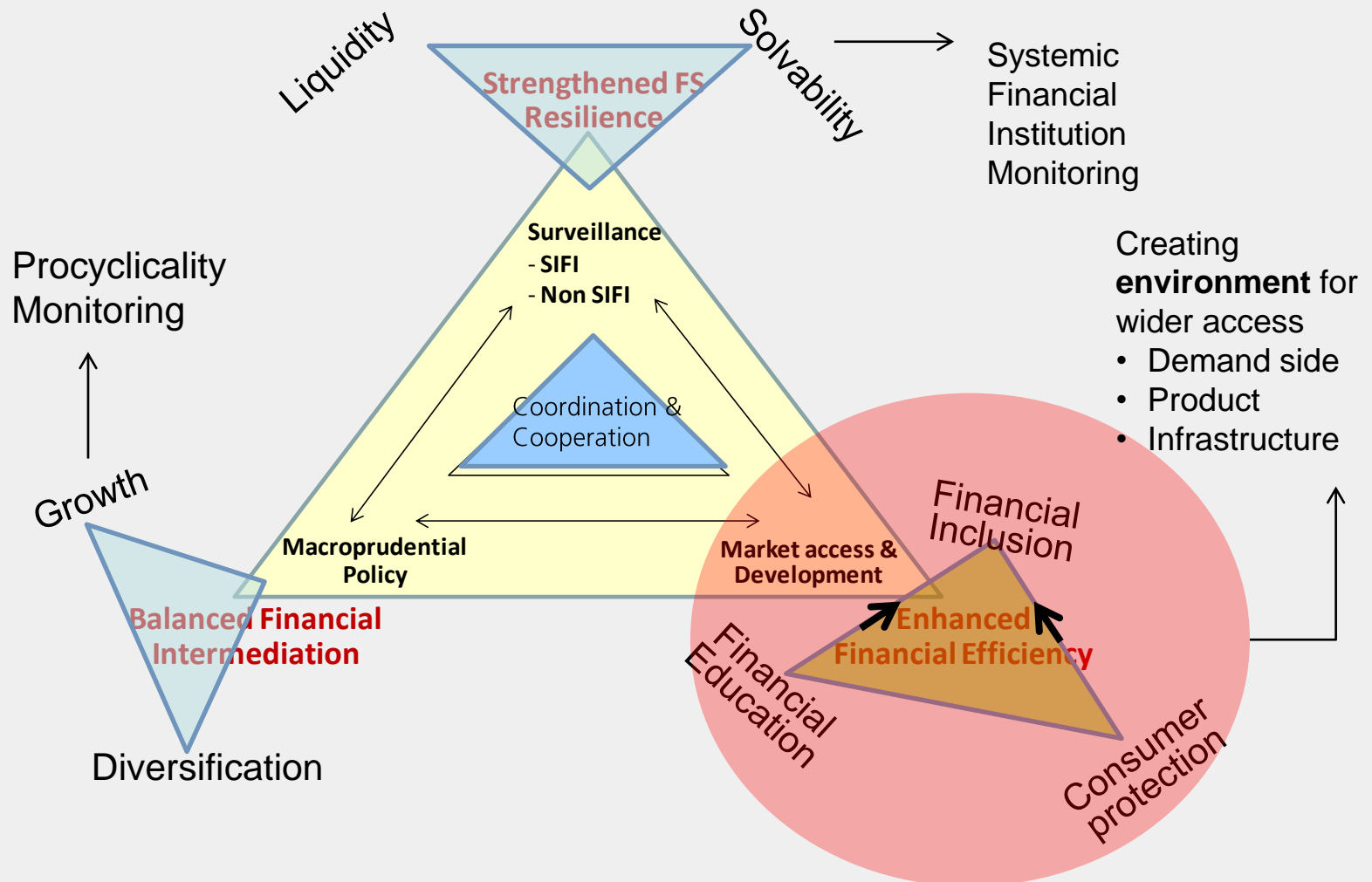
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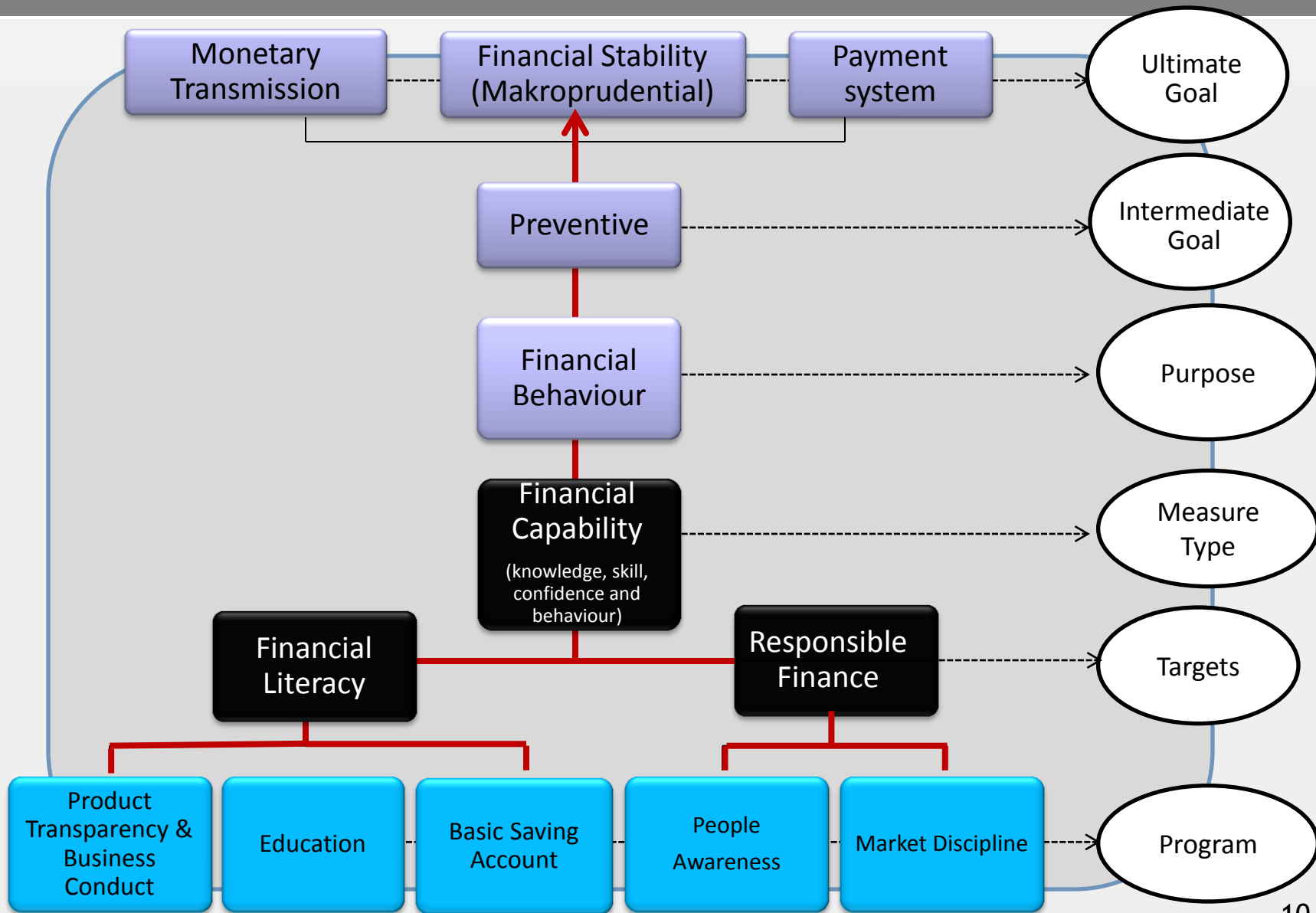
Challenges and Key Success

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.



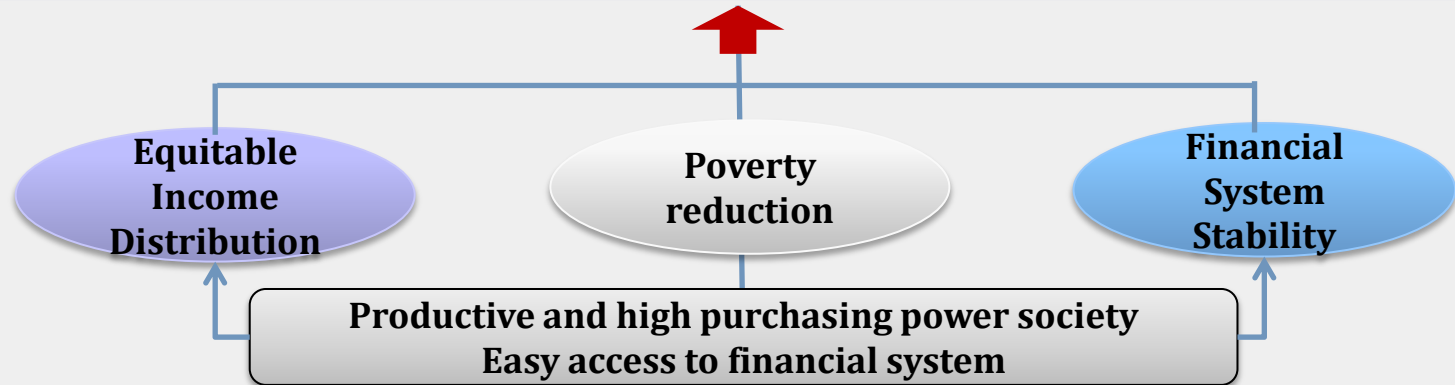
Development Phase



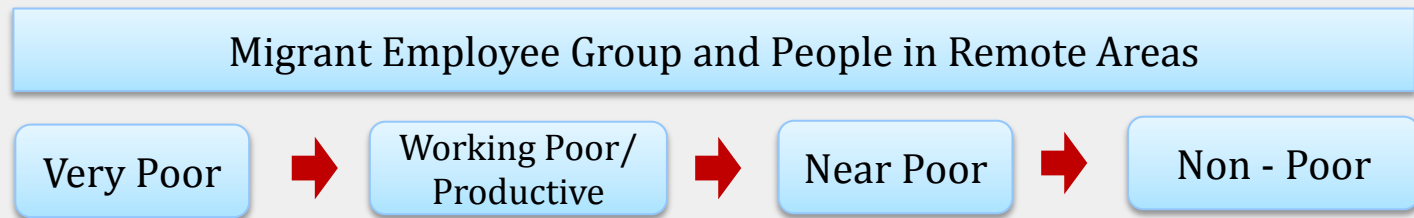
National Strategy on Financial Inclusion (has been launched on June 2012)

Main Goal

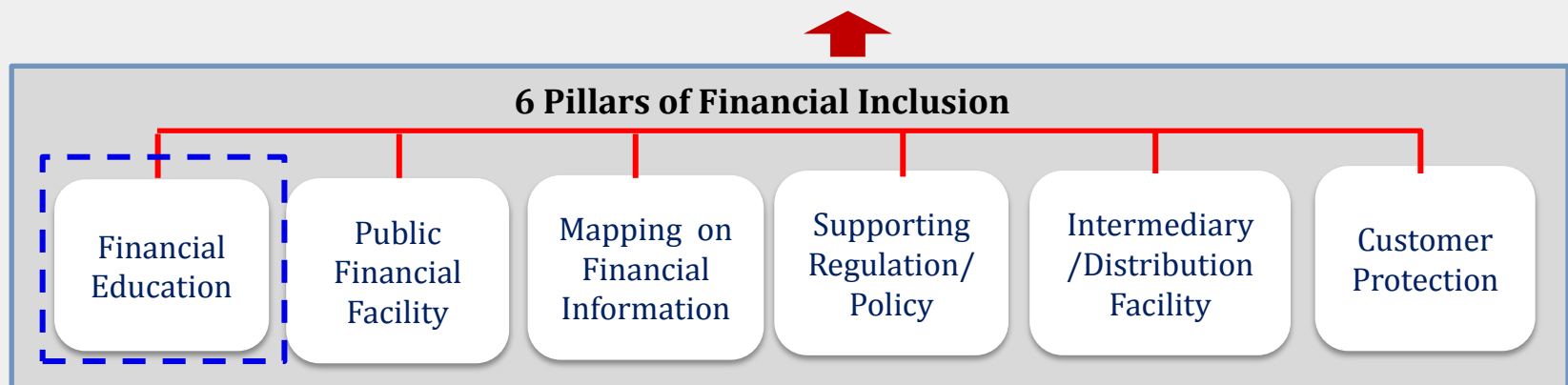
To reach economic welfare through poverty reduction, distribution income, and financial system stability in Indonesia by creating financial system that can be accessed by whole people in this country



Target Groups



Strategy



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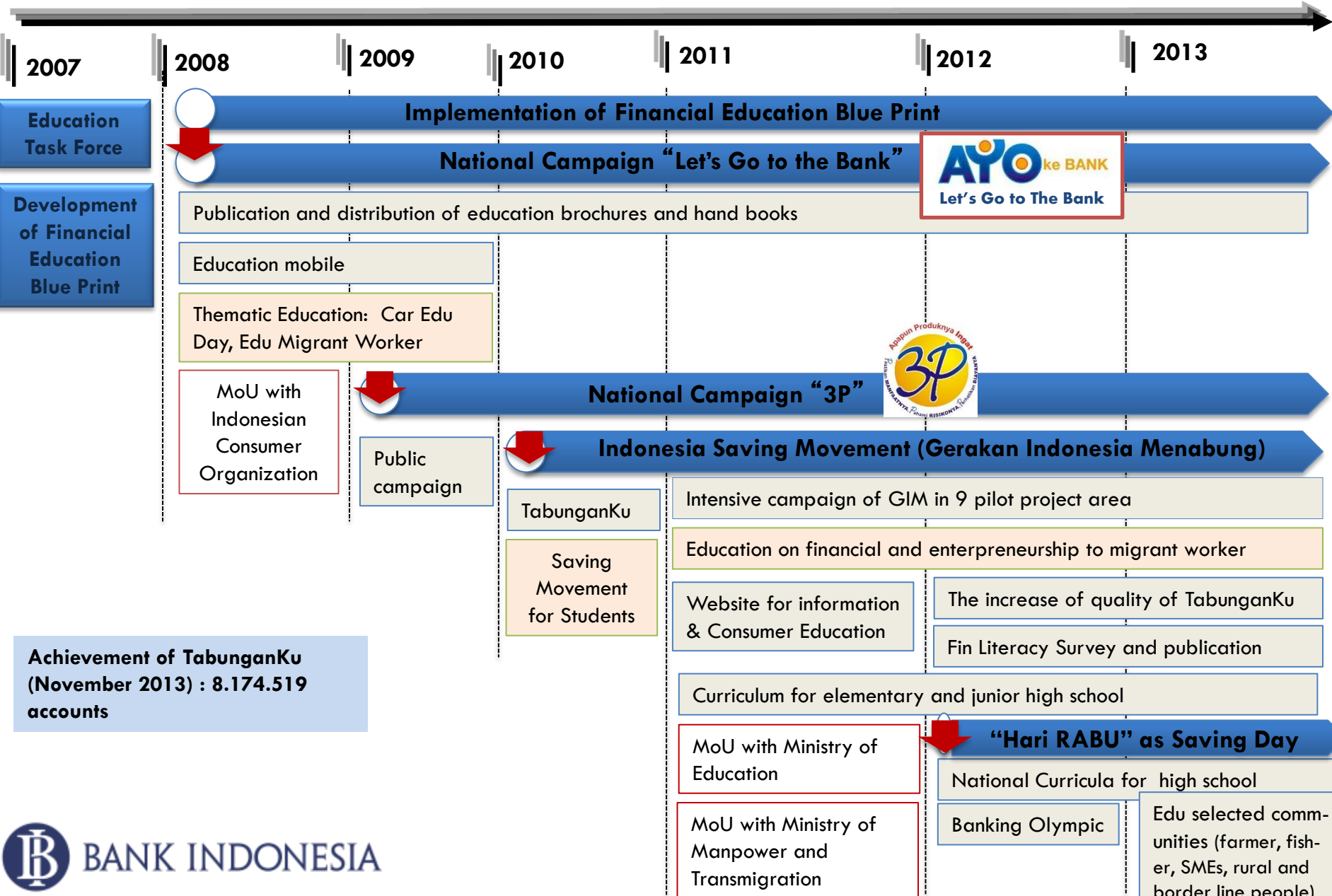
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Challenges and Key Success

Indonesia's Financial Education Programs



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



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Challenges and Key Success

Financial Inclusion and Financial Education*

- 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.

(The G20 Principles on Innovative Financial Inclusion, The G20 High Level principles on Financial Consumer Protection and the OECD/INFE High-Level Principles on National Strategies for Financial Education)

* Promoting Financial Inclusion through Financial Education : OECD/INFE Evidence, Policies and Practice, 2013.

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

