



# Financial Education & Awareness: Indonesia Experience

Dr. Pungky P. Wibowo

The views expressed in this presentation are the views of the author and do not necessarily reflect the views or policies of the Asian Development Bank Institute (ADBI), the Asian Development Bank (ADB), its Board of Directors, or the governments they represent. ADBI does not guarantee the accuracy of the data included in this paper and accepts no responsibility for any consequences of their use. Terminology used may not necessarily be consistent with ADB official terms.

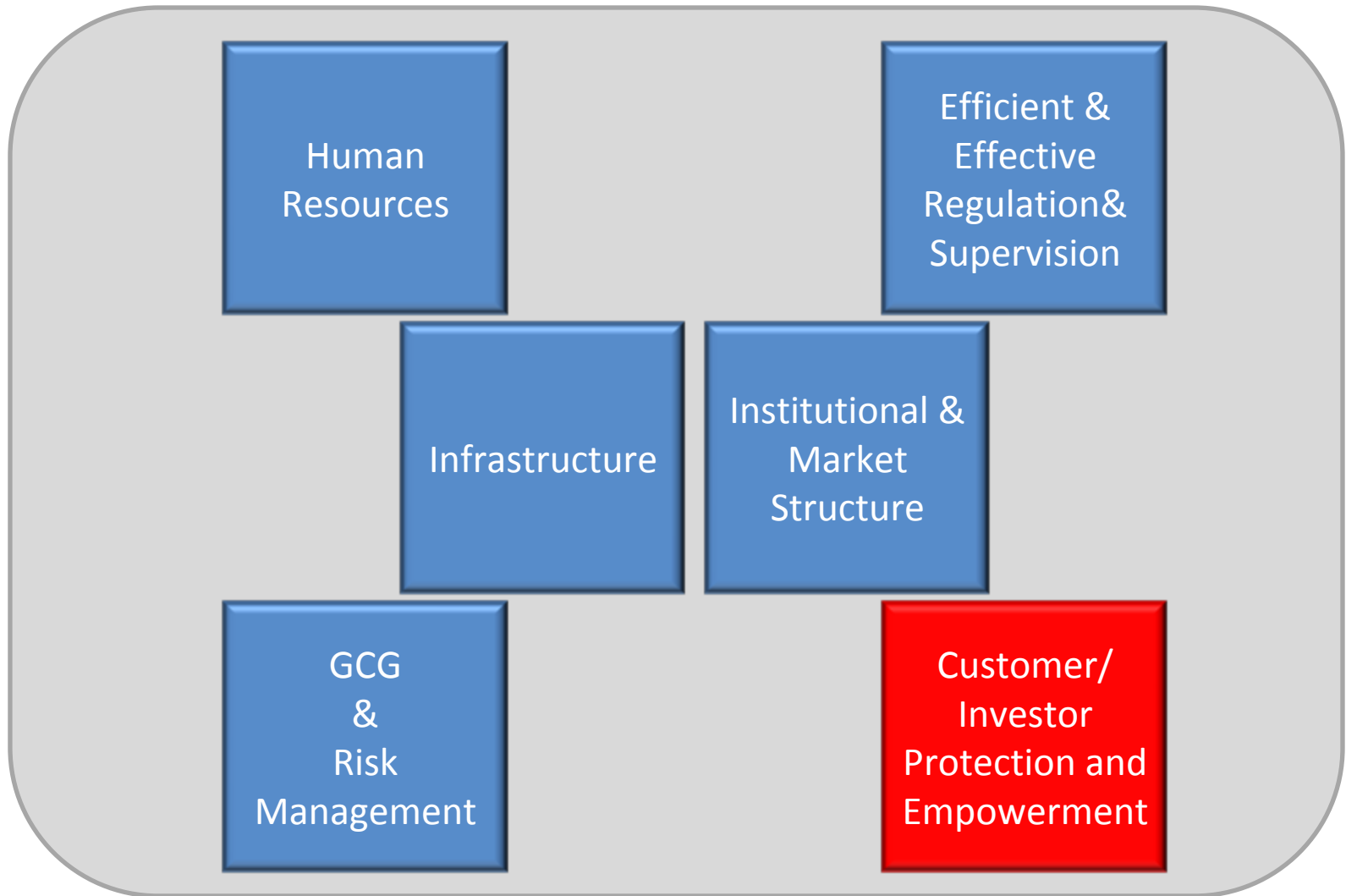
# Background

- Asymmetric information on financial products
  - **Too much vs** too little information → how much is enough?
  - “Sophisticated” financial terms **vs** low literacy rate
- Increasing complexity of financial products
  - Structured products
  - Hybrid securities
- Integration between banking products and non-banking products
  - Bancassurance

# Background

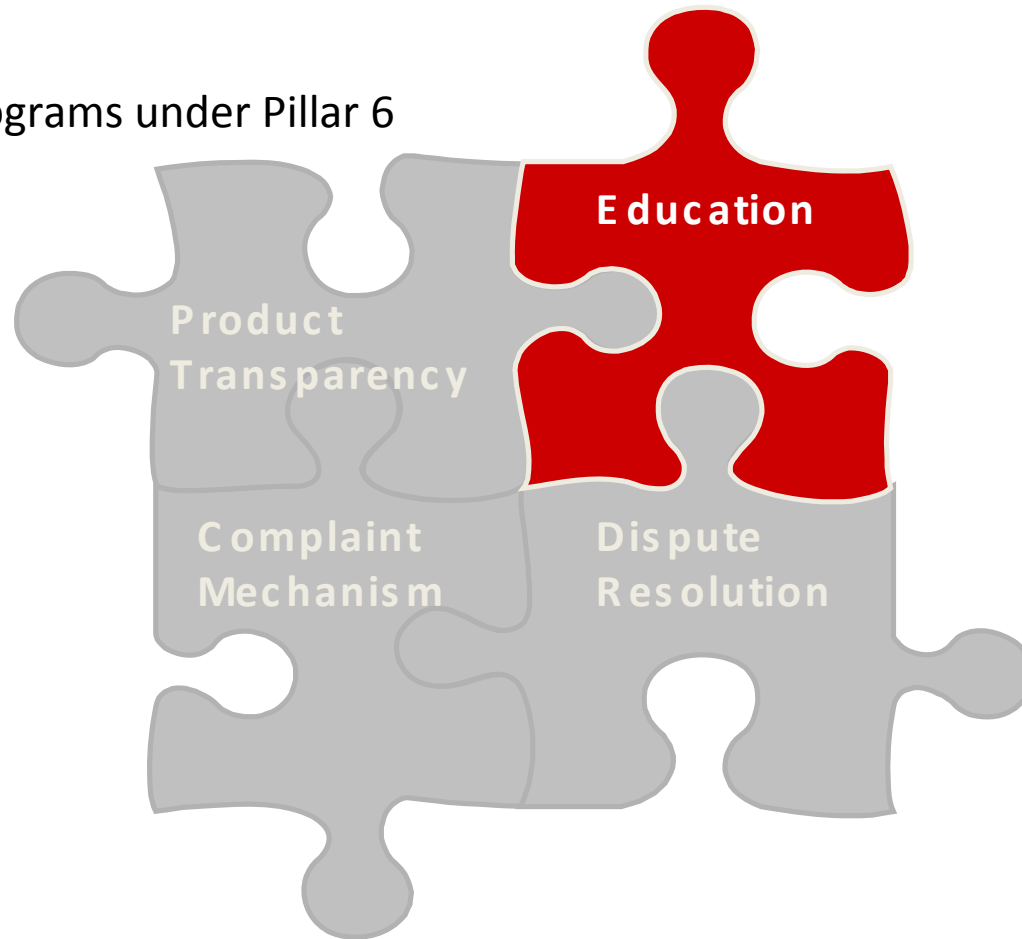
- Some key facts of Indonesia:
    - Population of Indonesia: 220 million
    - GDP per capita: USD 1.663
    - Banking industry holds more than 80% of financial sector assets
    - 97.4% of banks accounts are less than Rp100 million (less than USD10,000)
    - Number of commercial banks: 124
    - Number of rural banks: +9.300
    - Number of cooperatives: +13.000
    - Number of microfinance institutions: +8.000
- 

# Financial System Development

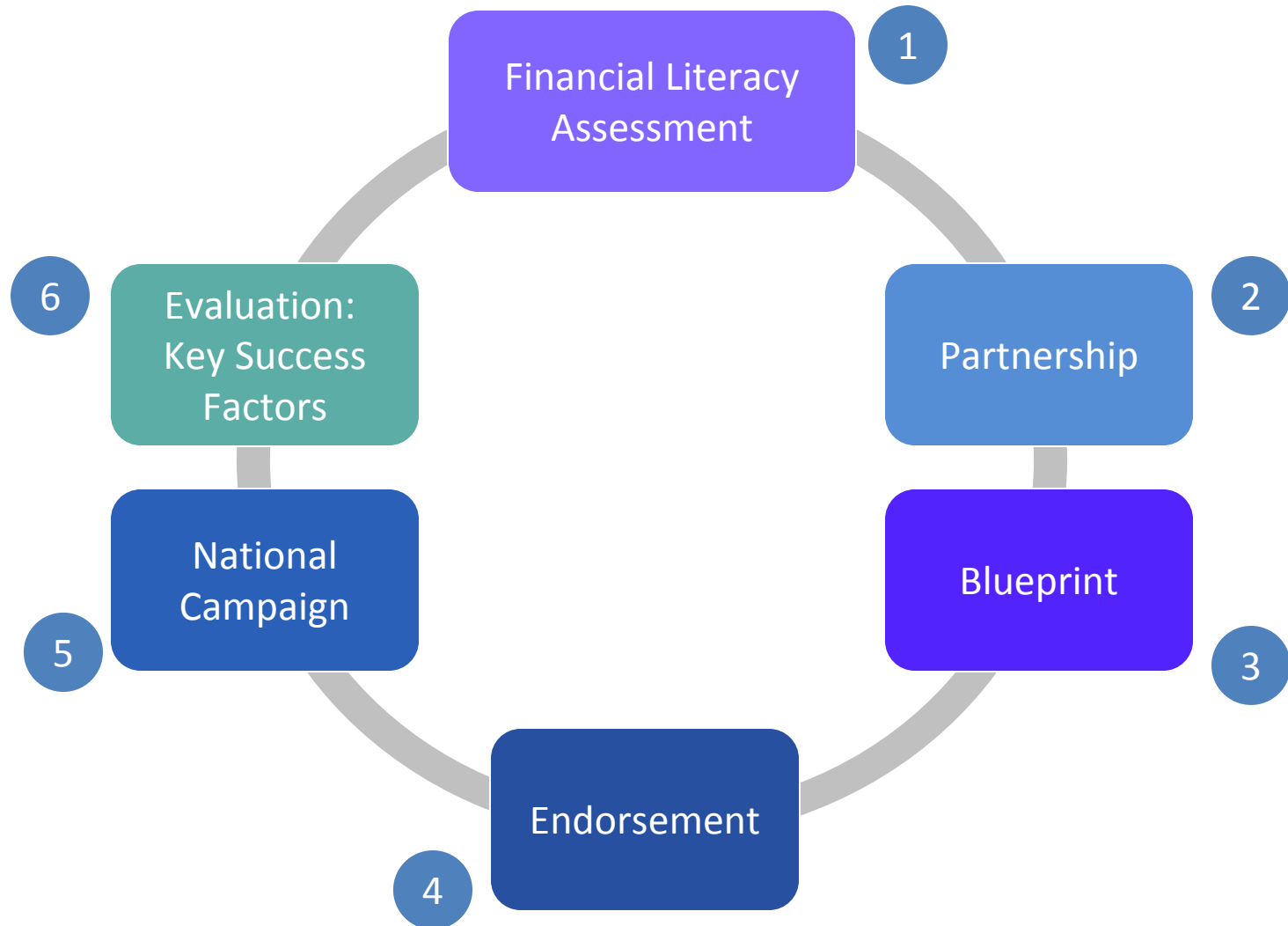


# Robust Consumer Protection

Programs under Pillar 6



# Framework for Financial Education



# Assessment of Financial Literacy

- Performed in 2006
- Tools to gain the level of awareness and knowledge on financial products
- Sampling performed on specific characteristics:
  - Highly populated provinces
  - Urban vs Rural
  - Major economic sector: i.e. Agriculture vs Services
  - Customer of a financial institution vs non customer

# The Need for Partnership

- Establishment of special task force on education:
  - First round:
    - Establishment of working group on banking education in 2007
    - consist of representatives from:
      - Bank and non-bank financial institutions
      - Banking associations
      - Deposit Insurance Corporation
      - Credit card issuer association
      - Bank Indonesia
    - Focus on developing and implementing strategies for banking education
  - Second round:
    - Establishment of working group on financial education (*to be followed up this year*)
    - Will be a collaborative effort with other governmental and non-governmental institutions that share the same vision of financial education
    - A pilot project has been started with the Ministry of Manpower and the Ministry of Foreign Affairs to facilitate financial education for Indonesian migrant workers

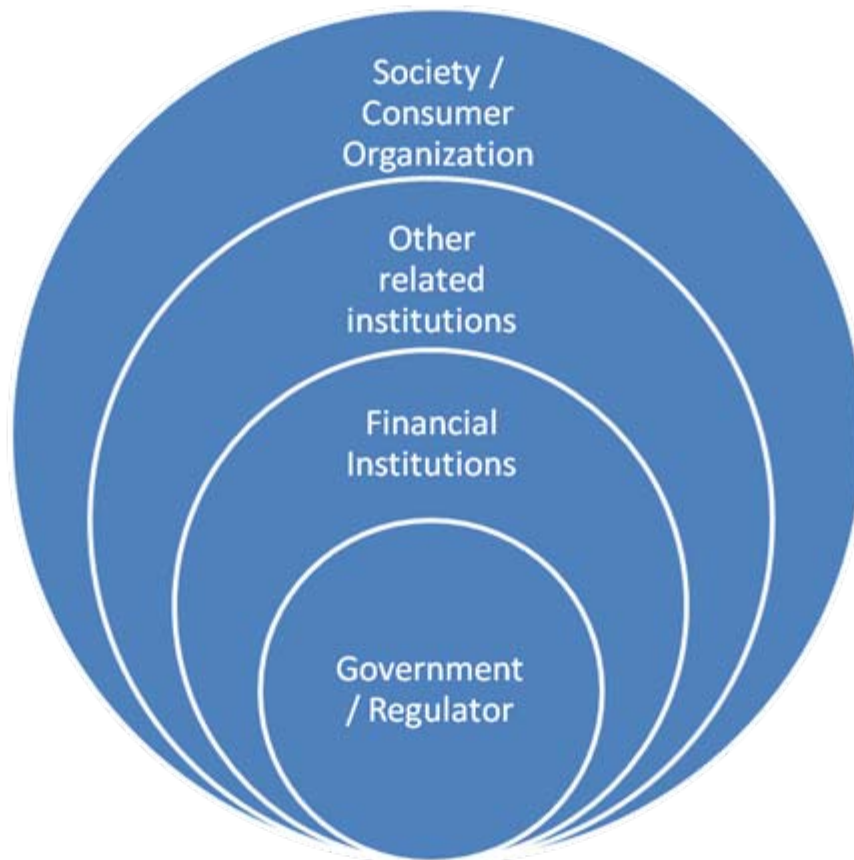
# The Blueprint for Financial Education

- Acknowledged under Presidential Order No.6/2007
  - The Blueprint for Public Education in Banking (*issued by the Central Bank of the Republic of Indonesia*)
    - Vision:
      - An adequately informed society with self confidence in understanding the roles, functions, benefits and risks of banking products and services, capable of wisely managing financial affairs for future improvement in quality of life
  - The Blueprint for Public Education in Capital Market and Non-Bank Financial Institutions (*issued by the Capital Market and Financial Institutions Supervisory Authority*)
    - Vision:
      - To create a sustainable effort on public education in capital market and non-bank financial institutions as a foundation for public decision and understanding on capital market industry and non-bank financial services

# Endorsement

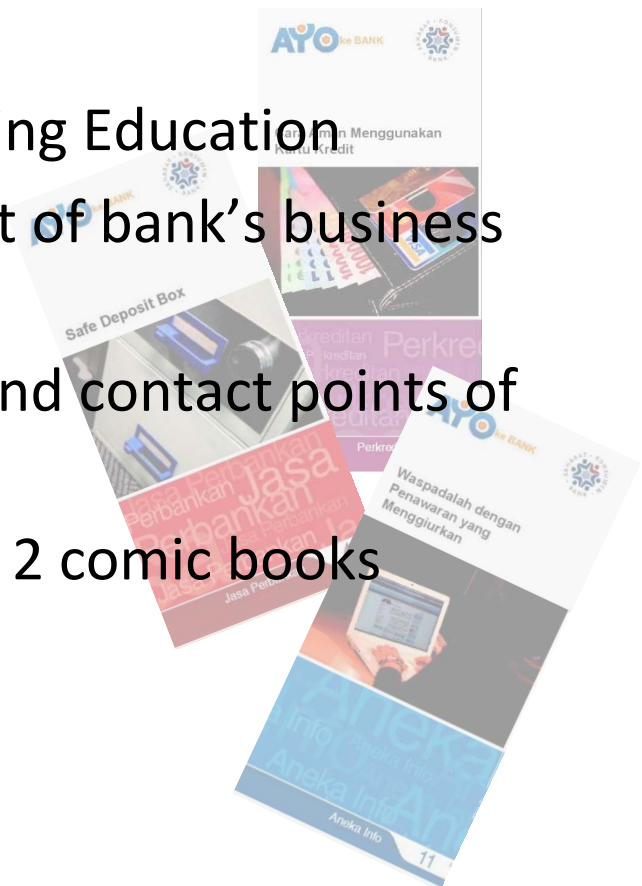
- Involvement of stakeholders play important role on the successful implementation of the blueprint

OK



# National Campaign: Public Education in Banking

- First priority due to the size of banking industry relative to financial industry (more than 80%)
- Designation of 2008 as the Year of Banking Education
- Public education in banking become part of bank's business plan
- Utilization of the nation-wide network and contact points of banking institutions
- 39 type of brochures + 2 pocket books + 2 comic books
- single theme:



# Evaluation

- Yet to be conducted:
  - Planned to be performed in year 2010
- Key success factors in implementing public education in banking:
  - Build the sense of ownership
  - Establish the commitment
  - Gain the endorsement
  - Create a single theme for a certain period
  - Sustainable improvements

# Next Challenges

- Information provided to the public:
  - How much is enough?
  - The need to provide different detailed information for different segment of society
- The need to develop customers classification in relation with financial products offered by financial institutions
  - Which products for which customers
- Integration of financial education with the national curriculum

# End of Presentation

