

## The Potential for Digital Financial Services in Indonesia



### The *Helix* Institute of Digital Finance Launches Indonesia Country Report on Agent Networks

Indonesia is the fourth most populous democracy in the world, with a population of [250 million](#). An archipelago with more than 17,500 islands, the country is rich in cultural, ethnic, religious and linguistic diversity. However, access to formal financial products and services still remains elusive for most people, [with 51% of Indonesian adults never having used formal financial services](#). The country has relatively low bank branch and ATM penetration with [10 branches and 36 ATM respectively for every 100,000 adults](#). Furthermore, [only 3% of Indonesians are aware of mobile money services and 0.1% has used them](#).

Nevertheless, there seems to be a demand for financial services. In a 2013 Gallup survey, [83% of Indonesian](#) respondents reported sending or receiving a remittance or payment transaction, and 57% of them used informal mechanisms to send the cash, such as through family members, friends, or informal money couriers over formal mechanisms. A sender typically sent domestically \$ 87.40 (international Dollars<sup>1</sup>) about 1.6 times a month.

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<sup>1</sup> The Gallup report uses International Dollars (ID) to compare payment and remittance amounts across the countries studied. The source of ID comes from: Global Purchasing Power Parities and Real Expenditures: 2005 International Comparison Program. Rep. World Bank, 2008. Web. 17 Dec. 2012. [www.siteresources.worldbank.org/ICPINT/Resources/icp-final.pdf](http://www.siteresources.worldbank.org/ICPINT/Resources/icp-final.pdf). Gallup used Global Purchasing Power Parities and Real Expenditures: 2005 International Comparison Program to compare currencies and exchange rates across countries and time using the baseline year of 2005.



The *Helix* Institute of Digital Finance's '[Agent Network Accelerator Survey – Indonesia Country Report](#)' finds that while the newly elected government is determined to mainstream financial inclusion and in particular digital social welfare payments, regulatory restrictions on distribution partnerships as well as limited product offerings are slowing market development.

E-money regulation permits only big banks (with a capital of more than US\$ 2.5 billion) to build agent networks with small shops (such as airtime outlets and mom & pop stores), while smaller banks and mobile network operators (MNOs) can only partner with registered (incorporated) legal entities, such as convenience chain stores. As a result, MNOs and small banks are struggling to scale up operations and expand their footprint into the rural areas where many of these unregistered entities (such as mom and pop shops) are found.

Whilst some of the 20 e-money licensed providers offer money transfer services, agent networks outside of urban areas that will support rural penetration are not yet available. The limited rural reach of agents can be partly explained by regulatory requirements. However, the research also found that providers are not focused on registering customers for mobile wallets which is crucial since regulation only permits registered customers to cash out of the system.

Lastly, the research indicated that the space for digital social welfare payments is increasing with two banks participating in a pilot in 2014 ([Bank Mandiri](#) and [BRI](#)). These payments are expected to reach up one million people in the next year and can potentially reach the 15 million beneficiaries under the Prosperous Family Savings Programme in the coming years.

To read Helix's strategic suggestions of how to overcome the existing barriers in the country, visit: [www.helix-institute.com/data-and-insights/agent-network-accelerator-survey-indonesia-country-report-2015](http://www.helix-institute.com/data-and-insights/agent-network-accelerator-survey-indonesia-country-report-2015)

The Indonesia Agent Network Accelerator report is based on interviews with management teams from five leading providers, including banks and mobile network operators (MNOs), as well as interviews with 31 agents across Indonesia between October and November 2014. The report focuses on the country's emerging insights to aid the development of the market and policies.

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The Indonesia report is part of The *Helix* Institute's cutting-edge Agent Network Accelerator (ANA) research project. ANA, a collaboration between the [Bill & Melinda Gates Foundation](#) and [MicroSave](#), is the largest research project on agent networks in the world, designed to determine what drives their success and scale.

Indonesia is among eight African and Asian countries participating in the world-class ANA research project, selected for their contribution to the development of digital financial services globally. The African countries surveyed in the four-year project include [Kenya](#), [Uganda](#), [Tanzania](#) and [Nigeria](#). In Asia, [Bangladesh](#) has been surveyed, and results from India and Pakistan are being analyzed for release later this year.

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The *Helix* Institute of Digital Finance, launched in November 2013 by [MicroSave](#) the [Bill & Melinda Gates Foundation](#), the [International Finance Corporation \(IFC\)](#), and the [UN Capital Development Fund \(UNCDF\)](#), provides cutting-edge data from global research projects, and world-class, operational training courses for digital finance (mobile money and agent banking) practitioners from across the developing world.

To learn more about The *Helix* Institute visit [www.helix-institute.com](http://www.helix-institute.com), or follow them on [LinkedIn](#) and [Twitter](#).

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