



**Asia-Pacific
Economic Cooperation**

2014/SMEWG38/025

Agenda Item: 11.2

Promoting Financial Inclusion and Literacy among SME – Indonesian Experience

Purpose: Information
Submitted by: Indonesia



**38th Small and Medium Enterprises Working
Group Meeting
Taichung, Chinese Taipei
26-27 March 2014**

**PROMOTING FINANCIAL INCLUSION AND LITERACY
AMONG SME
Indonesian Experience**

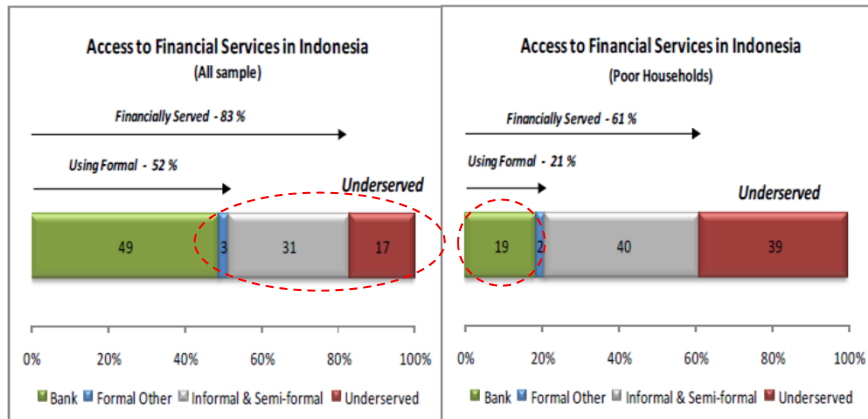
The 38th APEC SME WG Meeting
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OUTLINE

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- II The Role of SMEs in Indonesian Economy
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I. Access to Finance



Source : Improving Access to Financial Services in Indonesia, World Bank, 2010

- More than 50 per cent of Indonesia household have no access to bank financial services
- Less than 20 per cent of Indonesia poor household has access to bank financial services

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II. The Role of MSME in Indonesian Economy

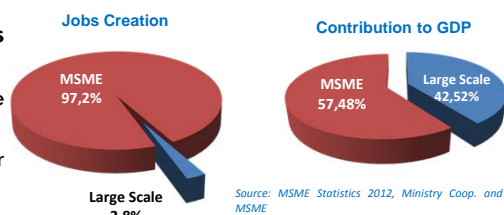
MSME are the back bone of Indonesia's economy but they get only a small portion of banks' financing

MSMEs play a crucial role in Indonesia's economy¹:

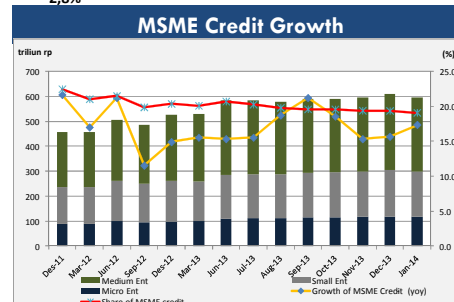
- ❑ MSMEs dominate the business units with share up to 99,9% of total business units.
- ❑ MSMEs absorb around 97,2% of total labor force.
- ❑ MSMEs contribute around 57,48% to the GDP.
- ❑ MSMEs contribute 14.06% to export (non oil and gas)

MSME credit :

- ❑ Currently SMEs constitute 19% of the total outstanding loans
- ❑ Lending portfolio :20% to Micro, 30% to Small, 50% to Medium scale enterprises
- ❑ The growth of MSME Credit in January 2014 around 17,4% (yoy)



Source: MSME Statistics 2012, Ministry Coop. and MSME



Source: Bank Indonesia, January 2014

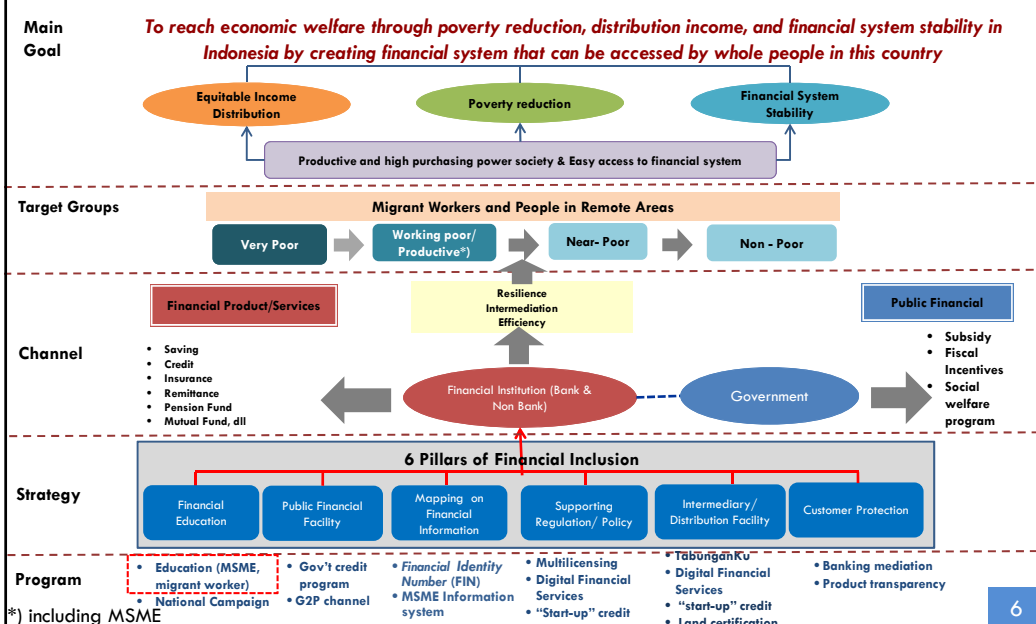
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III. Findings on Financial Literacy Survey 2012

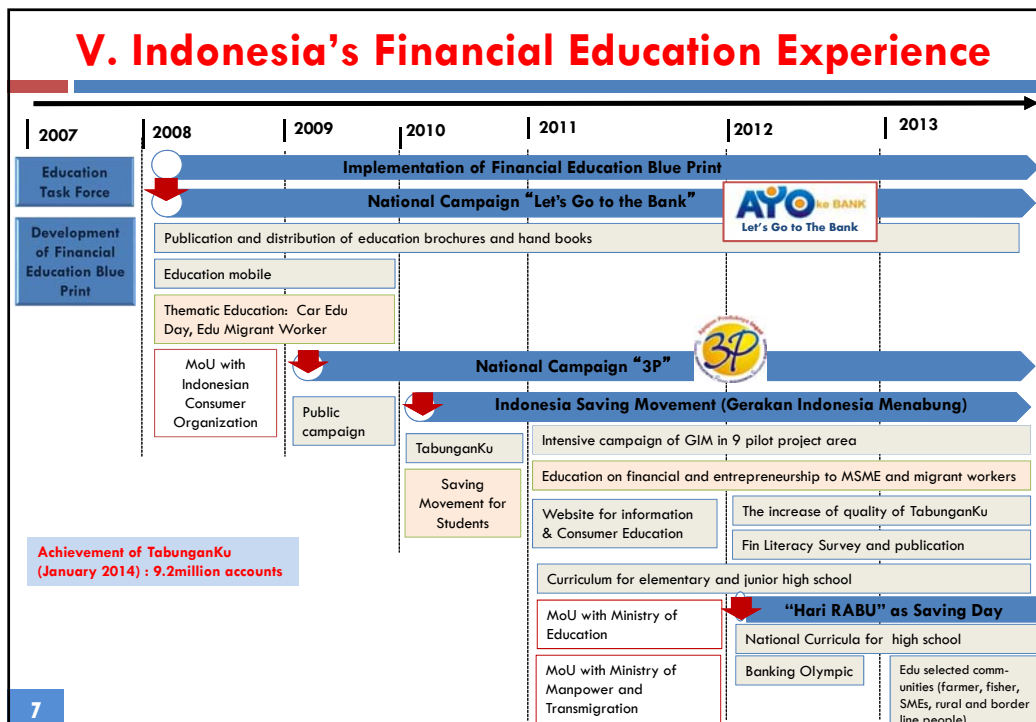
1. Women have higher financial literacy than men. Further analysis shows women more dominant in financial behaviour while men tend to be more knowledgeable.
2. Financial literacy closely related with age with pattern of an increasing financial literacy until at certain ages before starting to decline
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 further, financial literacy in that area will be low.

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IV. Indonesia National Strategy for Financial Inclusion



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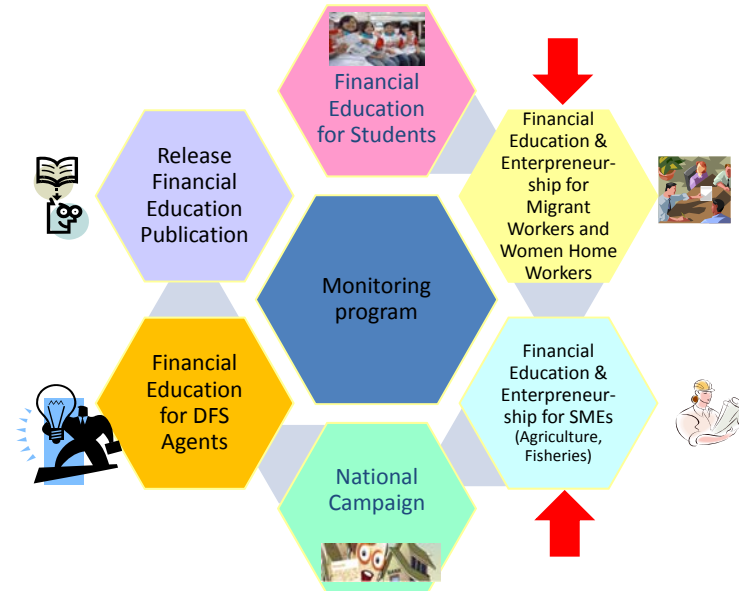


V. Research on the Impact of Financial Education Training on MSME

- **Research :**
 - Research Period : January 2011 – April 2013
 - Number of Respondents : 700 SMEs as borrowers of a Rural Bank, divided into 2 groups : Control and Treatment Group
 - Number of Surveys : 1 Baseline survey followed by 2 Follow up surveys
 - Type of Intervention : Training on Financial Education
- **The respondents who participated in the financial education trainings are**
 - less likely to overcome delayed payment through banking payment than respondents who did not.
 - more likely to document their income and expenditure than they who did not.
 - more likely to plan expenditure and to separate business and household finance than they who did not .
 - more likely to have better financial management than they who did not.

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V. Financial Education Program 2014



V. Financial Education Modules for MSME

Setting goals and family decision making	<ul style="list-style-type: none"> • Set short- and long-term goals in life • Make decisions as a family • Communicate with confidence
Smart Calculation: Planning your money ahead	<ul style="list-style-type: none"> • Calculate the investment: Smart financing • Spend wisely • Calculate money in/ money out • Keep track of money in/ money out
Financial products and services	<ul style="list-style-type: none"> • Compare savings services • Select savings products • Meet with financial institutions • How to use a financial institution with confidence • Where to borrow • Bank cards, Automated Teller Machines (ATMs), debit cards and point-of-sale devices
Risk management and insurance	<ul style="list-style-type: none"> • Understanding risk and how to protect ourselves • Save for emergencies • Introducing insurance • Your insurance – Be ready to use it • What you need to know about life/death and health insurance

VI. The Way Forward

- ❑ Financial Education will be integrated with other SME development programs such as clusters.
- ❑ Financial education will be focused on Training of Trainers (ToT), so that the ToT participants are expected to provide education directly to the community.
- ❑ Replicate the financial education program at national level to improve financial literacy that can increase financial capability and assist the effectiveness of financial inclusion through financial education.
- ❑ Target groups of financial education will be expanded, not only to SMEs in agriculture and fisheries sector but also in other sectors such as industry, trade, mining sectors in cooperation with related stakeholders

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THANK YOU

