Indonesia has reached a critical junction in its efforts to advance financial inclusion. Since the launch of its national financial inclusion strategy in 2016, the network of agents has expanded rapidly and the government has made significant progress in implementing digital government-to-person payments.

However, regulatory enhancements will be key to expanding financial inclusion, particularly among the poor.

Way Forward

Less than two years after her last visit, the Special Advocate and her delegation traveled to Indonesia in February 2018 to see firsthand the country's progress on financial inclusion and to offer support as it accelerates these efforts. She met with President Joko Widodo and leaders from the private and public sectors, and highlighted three priorities:

**Simplify regulations to increase access and usage**

Many Indonesians, particularly in rural areas, still lack financial access. Although there are many more banking agents than there were several years ago, they are still primarily concentrated near major cities. Following President Widodo's meeting with the Special Advocate, he publicly remarked on the importance of simplifying systems and regulations to expand financial inclusion. In support of this the UNSGSA made several recommendations aimed at ensuring that rural populations are financially included:

- Continue the harmonization of agent and digital finance regulations to enable scaling up;
- Consider enabling business models that can lower transaction costs for providers, for example, by using third-party agent network managers;
- Level the playing field for non-banks and open the market to more competition.

**Leverage technology and electronic ID to facilitate account opening**

Noting the progress Indonesia has made in rolling out its national digital ID, which now covers more than 90 percent of adults, the UNSGSA encouraged leveraging this system to make it easier to open accounts. Using the biometric data captured by the digital ID to enable remote KYC models can lower transaction costs for financial service providers while making it much faster and more convenient for customers to sign up. Foster innovative models for small business and agricultural finance. Over a third of Indonesia's population and 59 percent of the poor rely on the agriculture and fisheries sectors for their incomes, but only 5 percent of loans go towards the sector (mostly to large operations). The Special Advocate's recommendations included:

- Consider developing a focused strategy for agricultural value-chain financing and wider partnerships with the private sector;
- Movable collateral registries to benefit small businesses, farmers and women;
- Customer-centricity: products that reflect the seasonality of agricultural income.

**Next Steps**

The UNSGSA and her partners—including the Bill & Melinda Gates Foundation, CGAP, the IFC, and the World Bank—will continue to support Indonesia's efforts, focusing on key issues including the enhancement of the agent model, use of biometric ID for account opening, expansion of digital payments, and the creation of an enabling environment in which fintech and other innovations can flourish.