FOR INDONESIA, TECHNOLOGY HOLDS A KEY TO FINANCIAL INCLUSION

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By H.M. Queen Máxima of the Netherlands (published in the Jakarta Post, 29 August 2016, leading up to the Special Advocate’s visit to Indonesia, 30 Aug.-1 September)

Poverty is almost as difficult to eradicate as it is to endure. But today, countries around the world are embracing financial inclusion—the provision of bank accounts and other financial services to people who have long been excluded—as an effective and sustainable way to help poor people thrive.

Indonesia is proudly among those countries. I am visiting Indonesia this week to celebrate its commitment to financial inclusion and to discuss how it can achieve its goals.

Similar to the Sustainable Development Goals adopted by the UN last year, Indonesia's Nine Priorities lay out a roadmap for development progress. One of these priorities is economic independence, and as part of that goal, the government has committed to extending financial inclusion to half the population by 2019.

Indonesia’s commitment to financial inclusion begins at the very top of the national government. I had the honor of meeting with President Joko "Jokowi" Widodo in my home nation of the Netherlands earlier this year. And it was clear from our conversation that he knows that financial inclusion is a potent means of improving people’s lives.

Financial services can help people, especially the poor, protect against hardship and invest in their futures. This, in turn, helps economies grow and become more equitable. Financial inclusion also helps achieve broader societal goals, such as gender equality, food security, health, and education.

Indonesia faces some unique challenges in delivering financial services to the poor. Only a minority of Indonesian adults currently have a bank account. Because of its vast island geography, many Indonesians live in isolated communities. It is a huge task to connect these communities to roads and electricity, let alone financial institutions.

As a result, tens of millions of Indonesians have to do their best without the advantages of safe and reliable financial services. They depend on cash, informal lenders, barter, or they trade livestock and other possessions. And they hope that a family emergency or other unexpected events don’t wipe out the funds they depend on every day.

Today we have the technology to connect these communities and provide much-needed financial services. Using digital tools to unlock the country’s economic potential is a major piece of Indonesia’s financial inclusion strategy.

For example, a farmer living many kilometers away from the nearest town can use his mobile phone to buy seeds and pay for his children’s school fees, without having to take time off from work and travel long distances to deliver cash. He can also receive payments for his crops the same way. This kind of mobile payment system has already transformed lives in places from Bangladesh to Pakistan to Kenya.

Direct electronic payments are quicker and safer than paying in cash. This is why Indonesia is joining countries like India and the Philippines by starting to pay government social welfare benefits electronically. This way, recipients get their full amount with a full record quickly and safely, right to their mobile phone or payment card—in the privacy of their homes and ready to be used whenever needed.

Technology-based branchless banking also can spread financial inclusion to remote populations. Branchless banking involves providing basic services through small shops in rural areas that are connected electronically to
full-service banks.

In Brazil and China, branchless banking has expanded services into rural areas, allowing households to open savings accounts or take out loans for the first time. Branchless banking is making headway here in Indonesia, but there are not nearly enough agents yet for this promising solution to take off.

Technology can also provide new forms of identification, which people need in order to sign up for financial services. In India, biometric forms of ID, such as iris scans and fingerprints, are making it possible for people who have no official identification to participate in the financial system and claim government benefits.

In Indonesia, the process of digitizing the national ID system is underway—yet another example of how this country is embracing new technologies to reduce costs, offer greater security, and expand the reach of financial services.

These advances in technology promise to help Indonesians who are still living in poverty. But if the nation is to realize the full benefits of financial inclusion, it will need to ensure that technological progress is accompanied by policies that protect consumers and boost financial literacy, especially among the poorest.

President Jokowi understands that the ultimate benefits of financial inclusion are not measured solely by the number of bank accounts but in more human terms: by the number of families that can pay for medical care and education; the number of farmers who can invest in better seeds and equipment; the number of small local businesses that can hire new workers.

We aren’t just advocating for more bank accounts—we want those accounts to be used actively and widely so that people can transform their own lives. At the end of the day, our goal is financial empowerment.

This is an enormous opportunity for Indonesia. An opportunity to unlock the immense potential of its people, and to usher in a new era of growth. I am proud to be your partner in this process, and I am very eager to see what’s next.