



**Asia-Pacific  
Economic Cooperation**

---

**2013/FMP/WKSP1/008**

Session 3

## **Innovative Delivery Channel to Increase Financial Inclusion**

Submitted by: Bank Mandiri



**Workshop on Promoting Financial Access  
Through Innovative Delivery Channel to  
Enhance Financial Inclusion  
Jakarta, Indonesia  
27-28 February 2013**

# Innovative Delivery Channel to Increase Financial Inclusion

Presented at APEC High Level Workshop on Financial Inclusion

Jakarta, February 28, 2013

**mandiri** call 14000

Terdepan, Terpercaya. Tumbuh bersama Anda.

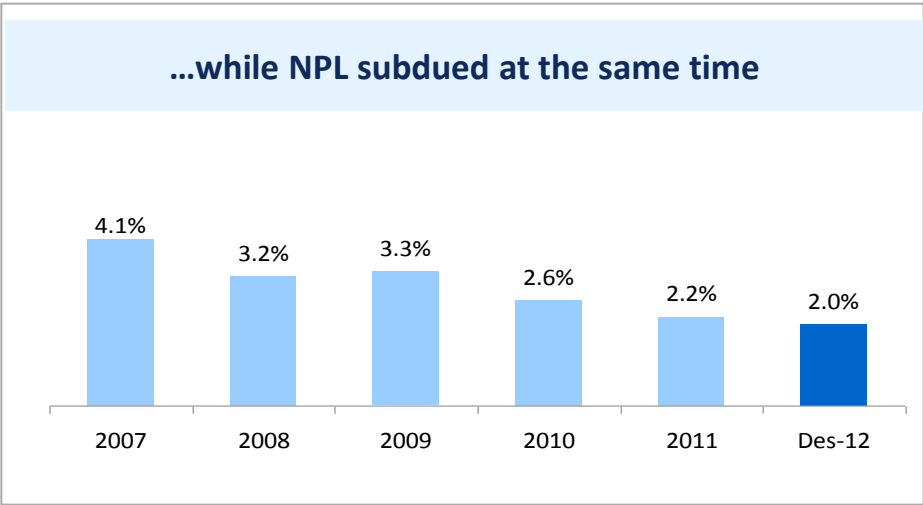
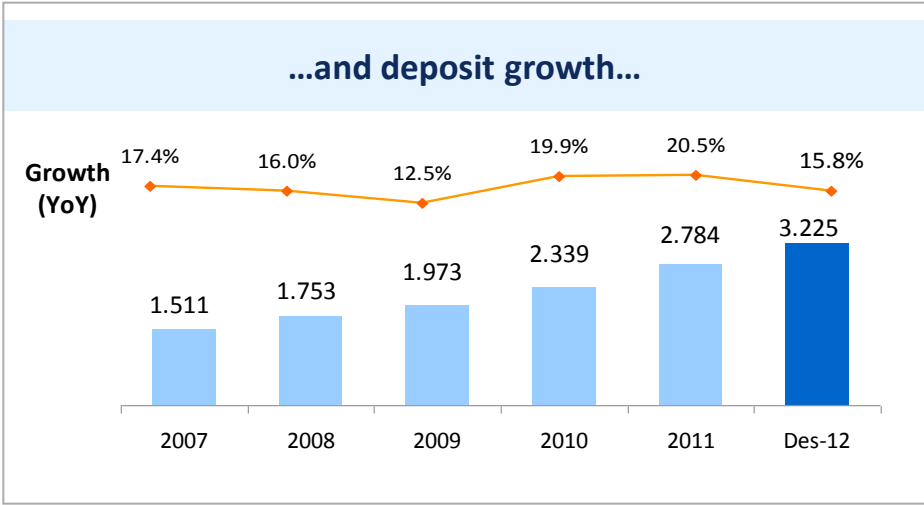
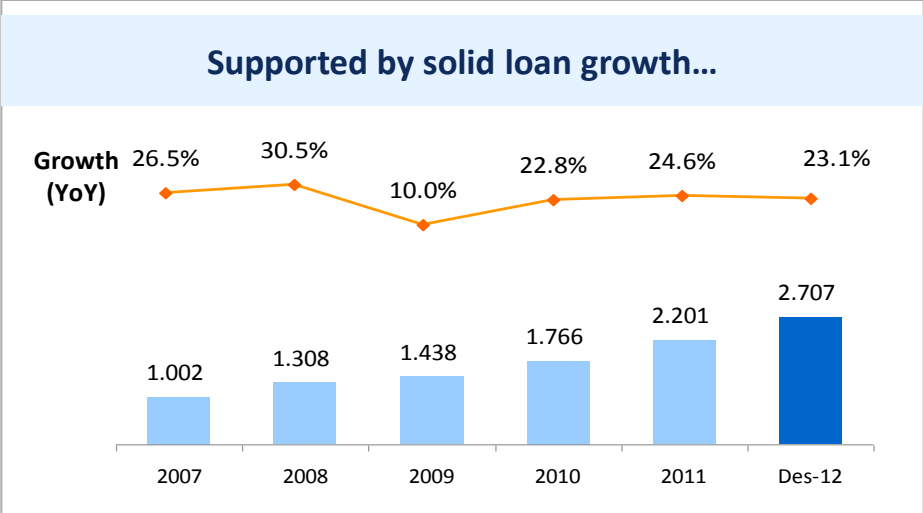
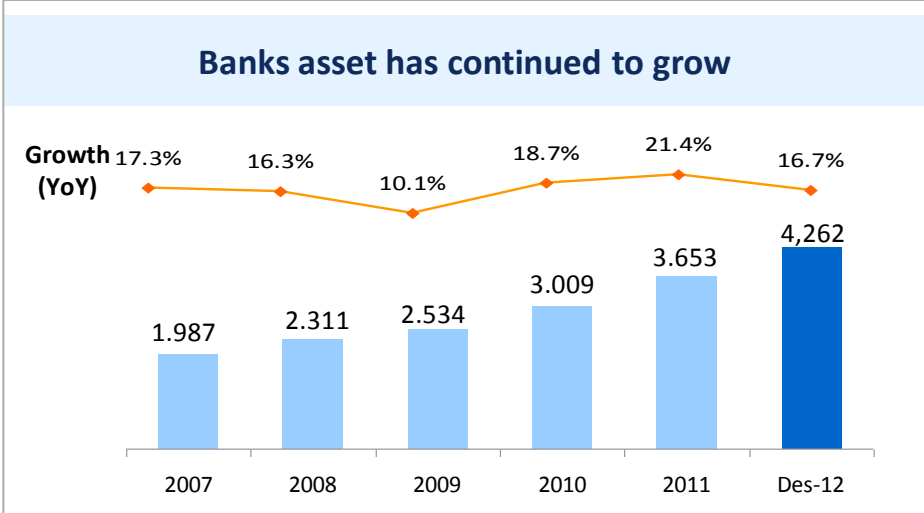
**Zulkifli Zaini**

Chief Executive Officer

PT. Bank Mandiri (Persero), Tbk



# Indonesia's Banking Sector still remains solid, despite of global economic crisis...



## In terms of Bank Mandiri, we are able to increased Net Profit up to 26,6%

Consolidated

	December 2011	December 2012	Growth	
			Dec'2011 - Dec'2012 Amount	(%)
Assets (Rp Trillion)	551.9 →	635.6 ↑	83.7	15.2%
Credit (Rp Trillion)	314.4 →	388.8 ↑	74.4	23.7%
Low cost Fund (Rp Trillion)	256.4 →	316.1 ↑	59.7	23.3%
Low Cost Fund Ratio (%)	60.72% →	65.46% ↑	4.74%	-
Net Interest Margin (%)	5.11% →	5.46% ↑	0.35%	-
NPL Netto (%)	0.52% →	0.46% ↓	-0.06%	-
Profit After Tax (Rp Trillion)	12.2 →	15.5 ↑	3.3	26.6%

# Our Strategy “To Be Indonesia’s Most Admired And Progressive Financial Institution”

To Be Indonesia’s Most Admired And Progressive Financial Institution

## Pillar 1



Strengthen our advantage in *wholesale transaction*

- Propose a comprehensive financial transaction solution
- Widen relationship to well-known domestic and international corporations

- Wholesales Fees Rp 3,3Tn <sup>1)</sup>
- Wholesale low cost fund Rp89,1Tn
- Cash Management transaction increase by 86,8%, to reach Rp 1.455,9 trillion<sup>1)</sup>

## Pillar 2



To be customer bank in retail payment & deposit segment

- Propose unique products and services
- Offer innovative transaction solution

- Total of Retail Fees up to Rp 5,7Tn <sup>1)</sup>
- Retail low cost fund Rp201,5Tn or increase by 22,8% YoY
- e-channel transaction increase by 27,0%YoY to reach 1.267 millions

## Pillar 3



To be the winner in retail payment segment

- To be one of dominant players in Micro Banking
- To become a market leader in housing & personal loan, and cards
- To be dominant player in Sharia

- Total of Credit retail Rp 105,19 Tn or increase by 29,8% YoY (30,9% of Mandiri’s total credit)
- Small and micro customer increase by 199,4 thousands in 2012

1) Fee Based Provisi, Komisi dan Fee

# By implementing those 3 pillars, Bank Mandiri achieved significant business growth, particularly in retail payment segment...



## # of Accounts

- Deposits 12.89 Mn
- Loans 1.27 Mn



## # of new Accounts (YTD)

- Deposit 3.67 Mn
- Loans 621.700



## # of Outlets

- 1,810 Branches
- 2,212 Micro Outlets
- 10,985 ATMS



## e-Channel Tx

- 1,267 Mn YTD
- 27.0% Growth



## # of Cards Issued

- Credit 2.85 Mn
- Debit 10.16 Mn
- Prepaid 2.70 Mn



## Cash Management

- 11,899 Customers
- 13.1 Mn Tx YTD 2012 <sup>(2)</sup>



## Retails Loans <sup>(1)</sup>

- Rp 105.2 Tn
- 30.9% of Loans



## Subsidiaries Income

- Total Rp 2.07 Tn
- Sum of income of 5 subsidiaries (13.4 % of EAT)



## Alliances (total)

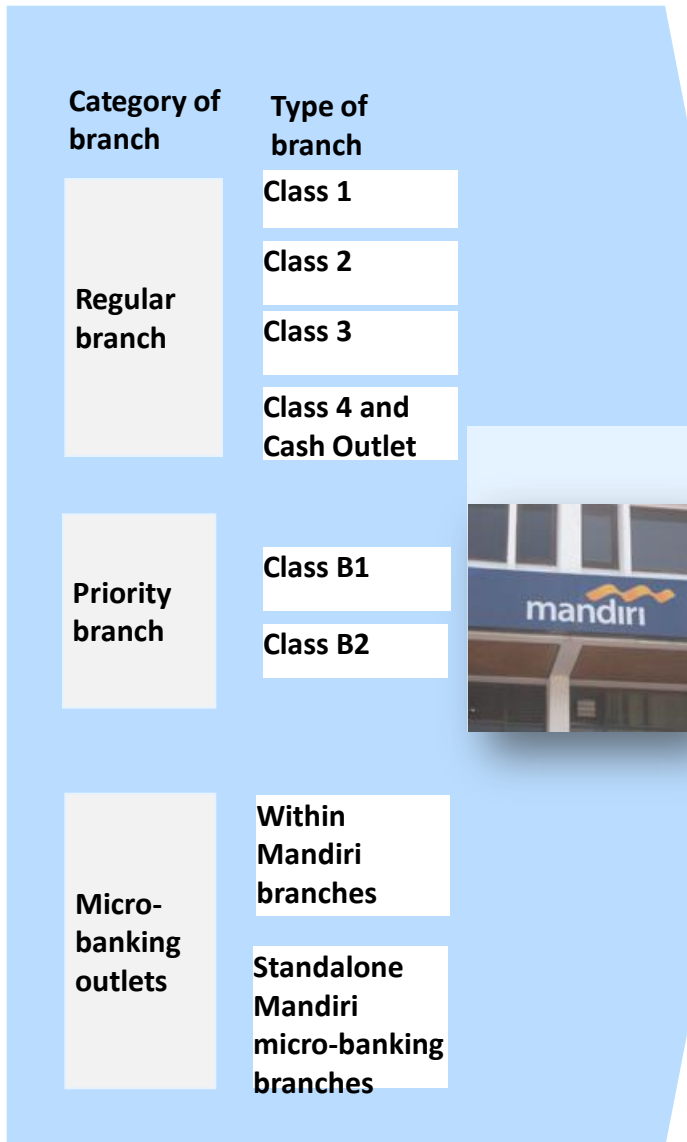
- Card From Alliances 247.020 cards
- Alliance Payroll Accounts: 539.000

(1) Small Business, Micro and Consumers

(2) Exclude Mandiri Transaction System

# Our significant retail payment growth supported by various delivery channel

## Brick and Mortar Channel (conventional)



**Delivery Channels**

## E-Channel (non-conventional)



- Regular ATM
- Drive Thru ATM
- Non Cash ATM
- Deposit ATM / CDM
- Passbook Printer



- SMS Text
- SMS Menu
- mATM



- IVR
- Agent/CTI



- EDC Reguler
- Mini ATM on EDC



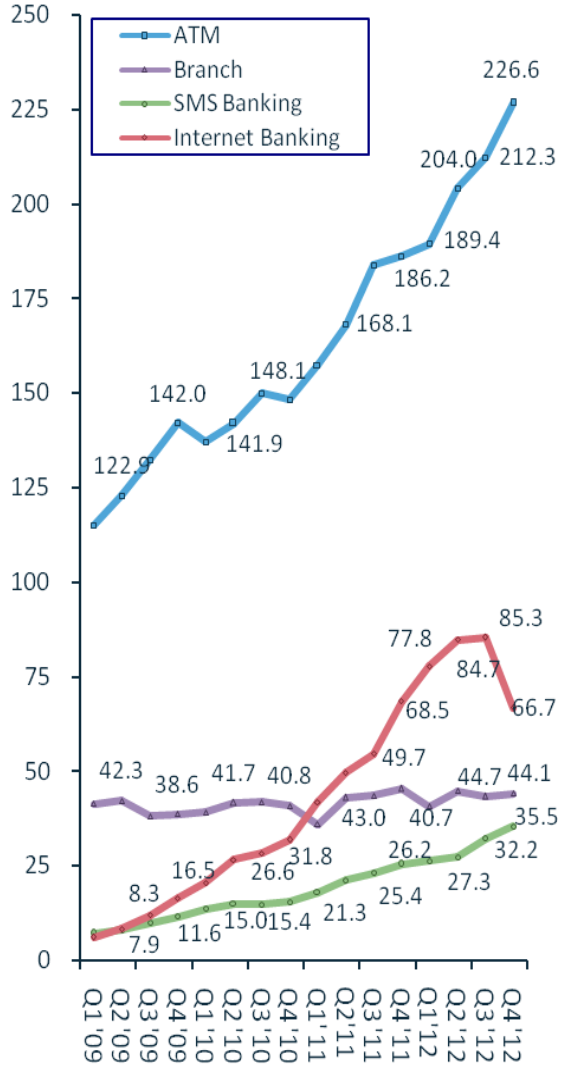
- Internet Banking
- Internet Payment



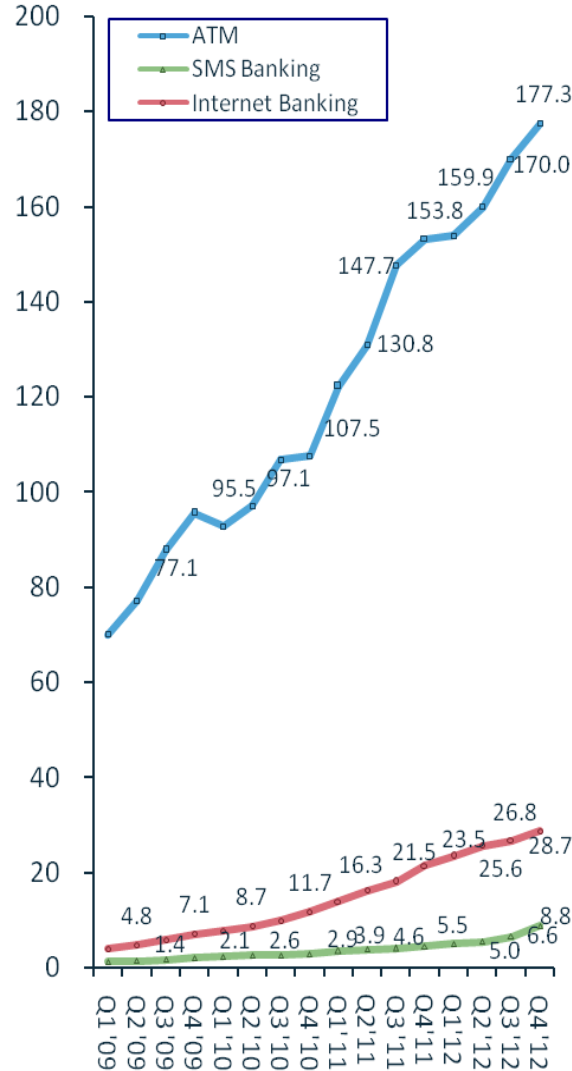
- E-Toll Card
- Gaz Card
- Indomaret Card

# Transaction through e-Channel grew even higher than that of our branches

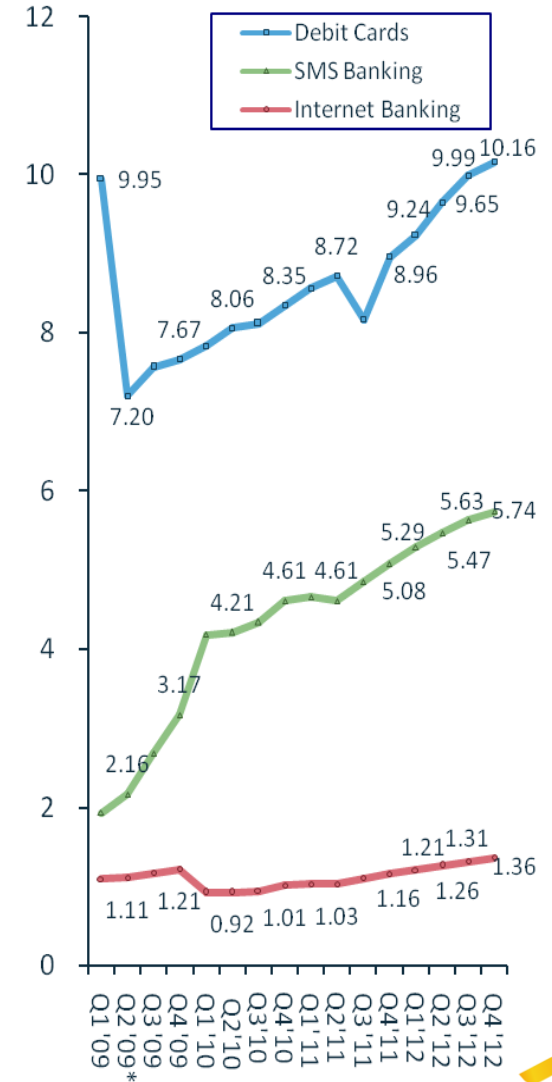
## Transaction Volume



## Transaction Amount



## Number of users





# However, those channels are still “out of reach” by most of population

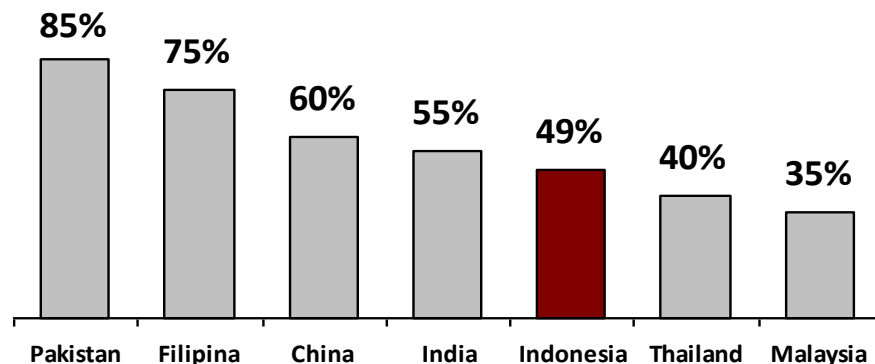
## Indonesian still favor cash in doing transactions

### Facts around cash :

1. **Most of transactions still use cash** : About 99% of micro payment transaction involve cash
2. Cash Transaction is high cost . This cost must be borne by :
  - a. **Bank Indonesia**
    - To produce Rp100-Rp100.000 , it takes high cost, about Rp3 T/year
  - b. **Trader/merchant**
    - To store and provide changes , Jasa Marga (Toll management company) need cash for change approximately Rp2 billion/day.
    - Cause the queue for long transaction time
  - c. **Society**
    - Carry cash in in one’s wallet for routine purposes isn’t flexible way



% population without financial access in selected countries



# Therefore, we promote initiatives to reach the “out-of-reached” with innovative delivery channel

## Network Approach

### Strategic Alliance : with PT.Pos Indonesia

1

- Leverage PT. Pos Indonesia branches as distribution channel to offer a full banking proposition to customers
- In some places, Branch co-existence is also a way of strategic alliance. By doing this, it will not only expand Bank Mandiri’s Network, but also at the same time improve PT.Pos Indonesia’s Efficiency and obtain value proposition as financial service channel



## ICT and Banking Agent Approach

### Branchless Banking : The delivery of financial services outside conventional bank branches using Information and Communications Technologies and nonbank agents.

2

- All transactions can be done through mobile phone
- Non-bank agent provide Financial Services to customer



# Strategic Alliance with PT Pos Indonesia has just begun

The potential benefits of the alliance will be significant to improve both parties in term of financial services delivery

1



- Strong brand image with good reputation
- Strong corporate culture, GCG principles and HR development
- Flexibility in capital source
- Expertise in banking & financial
- Large corporate and commercial segment customer base



- Widely spread networks (24.000 point of services, 3.746 online Post Office (64 Kbps to 512 Kbps, dedicated connection) and 11.835 online postal agents)
- Large customer base in micro and un-banked segments
- High capabilities in logistic field
- Better understanding of local markets

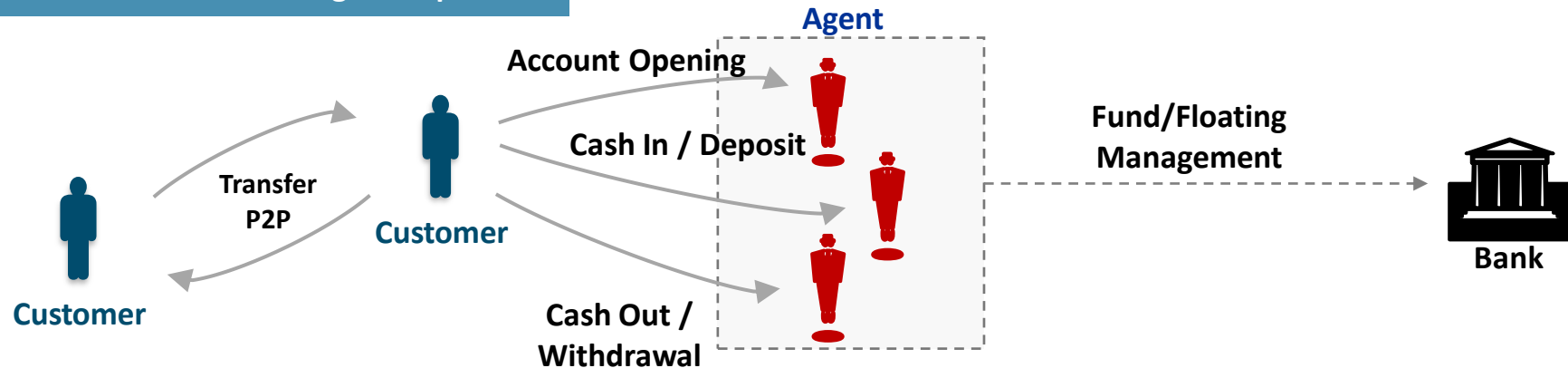
**Great capabilities to help government  
in developing financial inclusion**



# Branchless Banking as an alternative solution by optimizing the use of mobile phone

2

## Branchless banking concept



- All transactions can be done through mobile phone
- Non-bank agent provide Financial Services to customer

...pilot project has just conducted at Bank Sinar Harapan Bali and now at the stage of readiness "go to market"



Objectives :

- Improve access to financial service for un-banked segment through the use of Mobile Phone
- Increase customer loyalty for the existing customers
- Support partner growth

# Branchless banking could also benefit the nation by providing G2P



- Determining the number of G2P recipient
- Provide G2P funding
- Open current account at Bank

- Confirm and verify G2P recipient
- Provide data and open branchless banking account
- Keep copy of customer identity
- Deliver G2P fund

- Open account by system
- Distribute G2P fund to branchless banking account recipients

- Receive G2P fund
- Conduct a transaction through agent
- Inform identity data changes

- Serve cash out transaction
- Ensure sufficient liquidity

## What supports do we need?

Recommendation on more progressive regulations as well as provision of help in creating conducive environment will be a great help

◆ Regulations related to Financial Inclusion

Financial Inclusion can be developed faster by having more progressive regulations such as easing the KYC requirement for the un-banked segment to open banking relationship as well as allowing the banks to leverage agent banking/branchless banking as a more cost-efficient distribution network.

◆ Less Cash Society program supports

Less Cash Society programs to educate the un-banked segment

## Concluding Remarks

- To increase financial Inclusion, Indonesia's Banking Sector should create innovative delivery channel, since the existing channel still out of reach by most of population.
- Bank Mandiri initiatives on creating innovative delivery channel is by building Strategic Alliance with PT.Pos Indonesia, and Branchless Banking strategy.
- With these two initiatives we expect to be able to contribute more in developing financial inclusion in Indonesia.
- In order to support our initiatives, we need support from regulator and government , particularly to provide more progressive and flexible regulations related to Financial Inclusion in Indonesia

**Thank you**