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Research Report

Creating informed consumers: Tracking financial literacy programs in Indonesia

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Creating Informed Consumers:

Tracking Financial Literacy Programs in Indonesia

by Ajisatria Suleiman, Thomas Dewaranu & Noor Halimah Anjani

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Creating Informed Consumers:
Tracking Financial Literacy Programs in Indonesia

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Center for Indonesian Policy Studies (CIPS)

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CONTENT

Glossary	7
Executive Summary	10
Financial Literacy Landscape in Indonesia	11
Regulatory Frameworks	16
Tracking Financial Literacy and Education Programs Carried Out by Financial Service Providers	19
Methods for Delivering Financial Education.....	23
Implementation of Financial Education by Units in the Financial Services Institution.....	25
Tracking Financial Literacy and Education Programs Driven by OJK	27
Financial Literacy as a Response to Major Consumer Complaints	32
Financial Literacy on Digital Peer-To-Peer Lending.....	32
Personal data access.....	33
Product legality.....	34
Interest rates.....	34
Case Study: Public Financial Literacy on Unit Link Products.....	35
Fraudulent Investment Products.....	36
Conclusion and Policy Recommendations	39
References	41
Appendix	44

List of Tables

Table 1. List of the Regulatory Framework related to Financial Literacy.....	16
Table 2. Financial Literacy Program by Year.....	20
Table 3. Further Breakdown of Financial Literacy Program by Year.....	21
Table 4. Further Breakdown of Financial Literacy Program by Target Group.....	22
Table 5. OJK Initiatives for Financial Education and Consumer Protection..	29
Table 6. List of Unregistered Investments and Not Under OJK Supervision (2018 – 2020).....	37

List of Figures

Figure 1. Comparison of Financial Literacy and Financial Inclusion in 2016 and 2019 (%).....	12
Figure 2. Comparison of Financial Literacy and Inclusion between Urban and Rural in 2019 (%).....	13
Figure 3. Financial Literacy Indices of Financial Services Sectors in 2016 and 2019 (%).....	13
Figure 4. Example of an Organizational Structure for Implementing Financial Education and Literacy.....	26
Figure 5. Illustration of RIPLAY Delivery to Customers.....	28
Figure 6. Official Complaints Received by OJK (January 2015–May 2020).....	33

List of Pictures

Picture 1. OJK Gaming Apps Aimed at Children and Students.....	28
Picture 2. OJK's financial literacy car, Si Mobil Literasi Edukasi Keuangan.....	30

GLOSSARY

ADB:

Asian Development Bank

AFPI:

The Indonesian Joint Funding Fintech Association (*Asosiasi Fintech Pendanaan Bersama Indonesia*)

AFTECH:

The Indonesian Fintech Association (*Asosiasi Fintech Indonesia*)

BI:

Central Bank of Indonesia (*Bank Indonesia*)

BKPM:

Indonesian Investment Coordinating Board (*Badan Koordinasi Penanaman Modal*)

CMEA:

Coordinating Ministry of Economic Affairs

Data Link:

Financial Literacy and Financial Inclusion Data (*Data Literasi Keuangan dan Inklusi Keuangan*)

DNKI:

National Council for Inclusive Finance (*Dewan Nasional Keuangan Inklusif*)

FINRA:

Financial Industry Regulatory Authority

FSI:

Financial Services Institutions (refers to businesses/companies working on the financial services sector)

HIMPAUDI :

Association of Indonesian Early Childhood Educators and Education Personnel (*Himpunan Pendidik Dan Tenaga Kependidikan Anak Usia Dini Indonesia*)

IKD:

Digital Financial Innovation (*Inovasi Keuangan Digital*)

KSEI:

Indonesian Central Securities Depository (*Kustodian Sentral Efek Indonesia*)

KSP:

Saving and Loan Cooperative (*Koperasi Simpan Pinjam*)

MOCI:

Ministry of Communications and Informatics

MOCSME:

Ministry of Cooperatives and Small and Medium Enterprises

MOF:

Ministry of Finance

MORA:

Ministry of Religious Affairs

NPWP:

Taxpayer Identification Number (*Nomor Pokok Wajib Pajak*)

OECD:

Organization for Economic Co-operation and Development

OJK:

Financial Authority Services (*Otoritas Jasa Keuangan*)

P2P Lending:

Peer-to-Peer Lending

PMI:

Indonesian Migrant Workers (*Pekerja Migran Indonesia*)

PT:

Limited Liability Company

PUJK:

Financial Services Business Actors (*Pelaku Usaha Jasa Keuangan*)

RIPLAY:

Product and Service Information Summary Standard Guidelines (*Ringkasan Informasi Produk dan Layanan Sektor Jasa Keuangan*)

SiPEDULI:

Consumer Education and Protection Reporting Information System (*Sistem Informasi Pelaporan Edukasi dan Perlindungan Konsumen*)

SIUP:

Business License (*Surat Izin Usaha Perdagangan*)

SNLKI :

National Strategy for Indonesian Financial Literacy (*Strategi Nasional Literasi Keuangan Indonesia*)

SWI:

Investment Alert Task Force (*Satgas Waspada Investasi*)

TDP:

Company Registration Certificate (*Tanda Daftar Perusahaan*)

TOT:

Training of Trainers

TPAKD:

Regional Financial Access Acceleration Team (*Tim Percepatan Akses Keuangan Daerah*)

YLBHI:

The Indonesian Legal Aid Foundation (*Yayasan Lembaga Bantuan Hukum Indonesia*)

EXECUTIVE SUMMARY

Not all financial consumers are equipped with the necessary knowledge of the products and services that they are using. A wide gap exists between the level of financial inclusion (76.19%) and financial literacy (38.03%) in Indonesia. Low level of financial literacy could lead consumers to make poorly-informed financial decisions, incur too much debt, or even fall victim to illicit investment products. In the long run, these problems may damage consumer trust in financial services, which could hamper growth in the financial sector.

In addition to organizing various financial literacy programs, Indonesia's Financial Authority Services (*Otoritas Jasa Keuangan*, or OJK) has mandated financial services institutions (FSIs) to run at least one initiative to improve financial literacy and one initiative to improve financial inclusion every year.¹ This has significantly increased the number of literacy programs in Indonesia.

Programs from both OJK and FSIs have contributed to increasing financial literacy in Indonesia, but overall levels of financial literacy remain relatively low (OJK, 2019) compared to the level of financial inclusion. Efforts by FSIs to improve financial literacy through product-related information, the introduction of new products and services, and reducing barriers to entry for some financial products are often omitted when discussing about efforts to increase financial literacy. However, despite the risk, they can positively contribute to increase user's financial understanding. Regulators could therefore explore the potentials of this approach, with emphasis on ensuring that consumers understand the products that they are buying.

Financial literacy gaps, such as those between urban and rural populations, also need further attention from both OJK and FSIs. In the long run, mandatory reporting and the national repository of financial education programs maintained by OJK should be treated not as a mere formal requirement, but as a useful tool to improve the quality and benefits of financial literacy.

OJK and FSIs must create and implement comprehensive and systematic evaluation methods for their programs and establish which have the largest benefits and are most cost effective as they seek to address these challenges.

¹ This mandate was established by OJK Circular Letter (SEOJK) No. 30/SEOJK.07/2017 on the Implementation of Activities to Improve Financial Literacy in the Financial Services Sector and SEOJK No. 31/SEOJK.07/2017 on the Implementation of Activities to Increase Financial Inclusion in the Financial Services Sector.

FINANCIAL LITERACY LANDSCAPE IN INDONESIA

Increasing financial inclusion and financial literacy is a top priority for the Indonesian government. The government believes that financial inclusion and financial literacy will help improve financial system stability, improve public welfare, and promote inclusive development.

Inclusive access to financial services is essential for economic growth and poverty reduction (Chao et al., 2021). Financial inclusion refers to the ability to access financial institutions, products, and services that meet the needs and capabilities of a community in order to improve its welfare (OJK, 2019). Full financial inclusion is when all segments of the population are able to use the products and services of formal financial institutions for saving, investing, insurance, and other benefits.

The focus of financial literacy content varies across countries and regions. The Financial Industry Regulatory Authority in the United States focuses financial literacy on areas such as retirement planning. In Indonesia, concerns are different—for example, addressing over-indebtedness and predatory lending that has caused social unrest.

The Organization for Economic Co-operation and Development (OECD, 2018) defines financial literacy as “a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.” With a wide range of products and services available, financial literacy ensures the public can determine the products and services suitable for their needs by understanding the benefits and risks. Individuals with a low level of financial literacy cannot appropriately assess available products and services and tend to have unclear financial planning (Lestari, 2015).

Against this backdrop, the Financial Service Authority (*Otoritas Jasa Keuangan* or OJK), launched the National Strategy for Indonesian Financial Literacy (*Strategi Nasional Literasi Keuangan Indonesia* or SNLKI) in 2013. In 2016, President Joko Widodo instructed the establishment of the National Council for Inclusive Finance (*Dewan Nasional Keuangan Inklusif* or DNKI)² to implement SNLKI. Since 2013, OJK has regularly released a national survey to monitor and track financial inclusion and literacy.

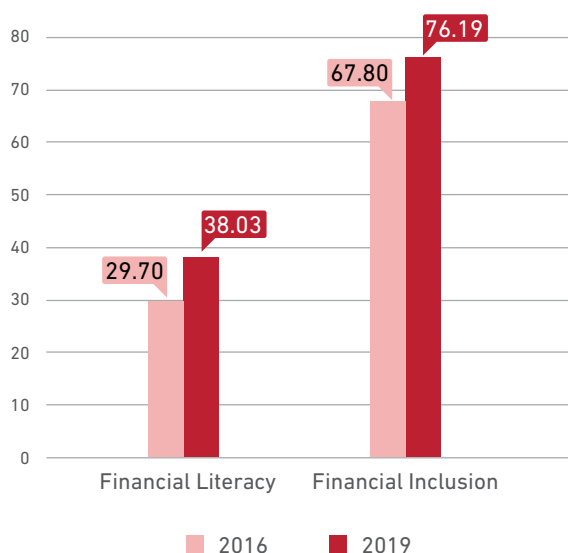
² The National Council for Inclusive Finance (DNKI) is chaired by the President and consists of ministers and relevant heads of institutions such as OJK, the Central Bank of Indonesia (*Bank Indonesia* or BI), the Coordinating Ministry of Economic Affairs (CMEA), and the Ministry of Finance (MOF).

The government renewed the SNLKI in 2017 and again when it published the SNLKI 2021–2025 to accelerate the improvement of public financial literacy and inclusion index. To implement the SNLKI, the government has been working with Financial Service Institutions (FSIs)³ to provide education and training to improve public financial inclusion and literacy. President Joko Widodo has set a target of 90% financial inclusion in Indonesia by 2024, as stated in Presidential Regulation No. 14/2020 on Financial Inclusion National Strategy.

Based on a 2019 survey by OJK (2020), Indonesian financial inclusion was at 76.19% on a national level and financial literacy was at 38.03%.⁴ The gap between financial inclusion and financial literacy suggests that some consumers do not have adequate knowledge about the products or services they are using. The survey shows a similar gap in rural and urban areas (Figures 1 and 2). A sectoral breakdown shows that the highest financial literacy exists about the banking sector, while the lowest is about the capital market sector and microfinance institutions (Figure 3).

Indonesian financial inclusion was at 76.19% on a national level and financial literacy was at 38.03%. The gap between financial inclusion and financial literacy suggests that some consumers do not have adequate knowledge about the products or services they are using.

Figure 1.
Comparison of Financial Literacy and Financial Inclusion in 2016 and 2019 (%)



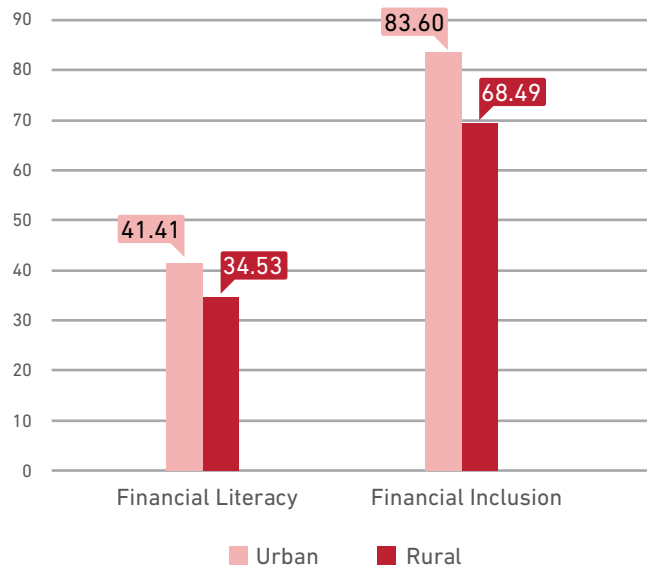
Source: OJK, 2020a.

³ Financial Service Institutions are businesses that provide financial products and services to customers. They include banks, insurance companies, and credit unions.

⁴ To measure financial inclusion, OJK measures financial products or services usage in the past year. For financial literacy, the

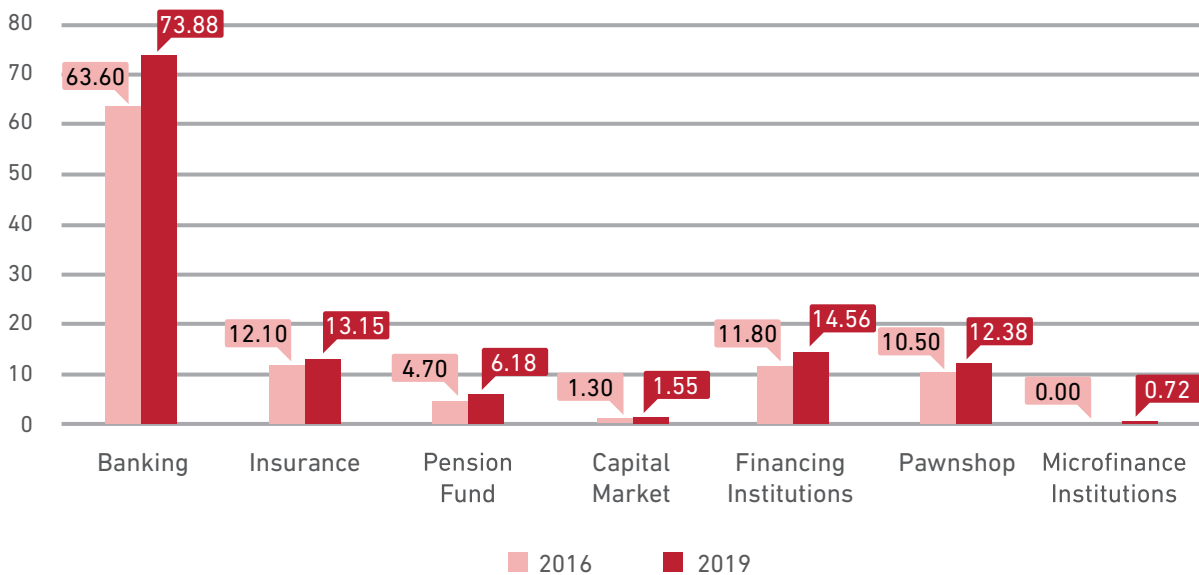
indicators are knowledge, skills, beliefs, attitudes, and behaviors towards financial products or services.

Figure 2.
Comparison of Financial Literacy and Inclusion between Urban and Rural in 2019 (%)



Source: Source: OJK, 2020.

Figure 3.
Financial Literacy Indices of Financial Services Sectors in 2016 and 2019 (%)



Source: Source: OJK, 2020.

For financial inclusion, the percentage shows that in every 100 Indonesians, 76 individuals have access to a financial service. For financial literacy, the percentage shows that in every 100 Indonesians, only 38 individuals are categorized as *well-literate* – have knowledge and confidence about financial service institutions and financial service products, including features, benefits and risks, rights and obligations related to financial products and services, and have skills in using financial products and services.

Increased access to financial services and products is the result of specific efforts to increase financial inclusion. In recent years, the government has encouraged financial institutions to grant micro and small loans. A report from PAKINDO (2016) from 241 respondents shows that 54% had received at least three loans. The loans were used for business capital (87%), to top up existing loans (59%), and to cover household expenses (31%).

Technological innovation and expanded internet access have also helped to improve access to financial products and services. Digital finance services, or financial technology (fintech), ease day-to-day transactions and improve the accessibility of financial services. For example, peer-to-peer (P2P) lending⁵ emerged as a solution to provide financing for the unbanked and underbanked population in Indonesia. A report from PWC Indonesia (2019) shows that 71% of 186 million middle- to lower-income populations and 74% out of 63 million businesses do not have access to formal credit. OJK (2020) found that P2P lending reached a cumulative value of IDR 106 trillion, an increase of 186.54% year-on-year. At the same time, the number of borrowers increased by 218.75% to 24.70 million accounts (OJK, 2020a).

Users must be equipped with knowledge about providers, services and products offered, and their rights and obligations as consumers. Without this knowledge, consumers may find themselves deeply in debt or vulnerable to scams and frauds, data misuse, and aggressive collection methods.

Financial literacy is also important given the emergence of fintech. Fintech provides services such as e-payment, fundraising, investment management, insurtech, and online loans. Users must be equipped with knowledge about providers, services and products offered, and their rights and obligations as consumers. Without this knowledge, consumers may find themselves deeply in debt or vulnerable to scams and frauds, data misuse, and aggressive collection methods.

Aidha et al. (2019) analyzed a small sample of financial loan cases with input from FSIs, business associations, regulators, and consumers. Two-thirds (20 out of 30) of cases have over-extended their credit, of which 14 cases were borrowing through online loans and six through a credit card. A majority of the respondents with over-extended credit had taken out both legal and illegal loans and used them to cover existing debts rather than to meet basic needs. There is asymmetric information regarding service charges and loan interest, especially when taking out illegal loans. Borrowers often have incomplete understanding on the product, payment terms, and interest and some lenders take advantage of this. Affected borrowers experience difficulty paying their debts due to high interest rates and short repayment periods. Unethical collection practices included intimidation through calls and texts, illegal distribution of borrower data, and messages sent to borrowers' contact lists, relatives, and co-workers aiming to discredit the borrower or chase contacts for payment.

² The Harmonized Commodity Description and Coding System—commonly known as the Harmonized System or HS—is an internationally standardized nomenclature for the description, classification, and coding of goods (Yu, 2008).

³ The rationale and procedures for products subject to import licensing are included in the appendix (based on WTO Indonesia TPR, Secretariat Report Table A3.4).

A recent increase in public awareness along with the emergence of a digital investment platform have increased the demand for investments in Indonesia. According to data from the Indonesian Central Securities Depository (*Kustodian Sentral Efek Indonesia* or KSEI), there were 4.9 million mutual fund investors in June 2021, an increase of 55.27% compared to 2020 (Bareksa, 2021). Poor financial literacy regarding investment products, especially realistic returns forecasts, legalities, and risk, puts consumers at risk of investment scams.

Online investment fraud was the second-largest category of police reports in Indonesia between January and December 2020, with a total of 649 cases (Patrolisiber, 2020). Investment Alert Task Force (*Satgas Waspada Investasi* or SWI) closed over 425 illegal investment agents and 1,500 illegals P2P lenders from January 2020 to July 2021.

REGULATORY FRAMEWORKS

Based on article 28 of Law No. 21/2011 on the Financial Services Authority (UU OJK), OJK has the authority to provide information and education to the public on the characteristics of the financial services sector, services, and products. In addition, article 1 of OJK Regulation (POJK) No. 1/P OJK.07/2013 on Consumer Protection in the Financial Service Sector, FSIs must provide education to increase financial literacy of consumers and/or the general public. A similar requirement is detailed in POJK No. 76/POJK.07/2016 on Increasing Financial Literacy and Inclusion in the Financial Service Sector to Consumers and/or the General Public. Likewise, digital financial innovation (*Inovasi Keuangan Digital* or IKD) providers,⁶ which include many digital financial services, must carry out initiatives to increase financial literacy and inclusion according to article 34 of POJK No. 13/POJK.02/2018 on Digital Financial Innovation in the Financial Services Sector. The relevant regulatory frameworks are outlined further in Table 1.

Table 1.
List of the Regulatory Framework related to Financial Literacy

OJK Regulations (POJK)	Implementing Rules
POJK No. 1/POJK.07/2013 on Consumer Protection in the Financial Services Sector	<ul style="list-style-type: none"> • Circular Letter of the Financial Services Authority (SEOJK) No.12/SEOJK.07/2014 on the Submission of Information in the context of Product Marketing and/or Financial Services Institutions • SEOJK No.13/SEOJK.07/2014 on the Standard Agreement • SEOJK No.14/SEOJK.07/2014 on the Data Confidentiality and Data Security and/or Consumer's Personal Information
POJK No. 1/POJK.07/2014 on the Alternative Dispute Resolution Institutions in the Financial Services Sector	<ul style="list-style-type: none"> • SEOJK No.7/SEOJK.07/2015 on the Assessment Guidelines of the Alternative Institutions for Dispute Resolution in the Financial Services Sector • SEOJK No.54/SEOJK.07/2016 on the Alternative Institutions for Dispute Resolution in the Financial Services Sector
POJK No.18/POJK.07/2018 on the Consumer Complaint Services in the Financial Services Sector	<ul style="list-style-type: none"> • SEOJK No. 17/SEOJK.07/2018 on the Guidelines for the Implementation of Consumer Complaint Services in the Financial Services Sector
POJK No. 76/POJK.07/2016 about Increasing Financial Literacy and Inclusion in the Financial Services Sector for Consumers and/or the Community	<ul style="list-style-type: none"> • SEOJK NO.30/SEOJK.07/2017 on the Implementation of Activities to Improve Financial Literacy in the Financial Services Sector • SEOJK NO.31/SEOJK.07/2017 on the Implementation of Activities to Increase Financial Inclusion in the Financial Services Sector

Source: Authors' compilation

⁶OJK defines IKD as an activity to update business processes, business models, and financial instruments that provide new added value in the financial services sector by involving the digital ecosystem.

OJK distinguishes between “financial literacy”, “financial inclusion”, and “financial education”.

- Financial literacy is defined as “the knowledge, skills, and beliefs which influence attitudes and behaviour of an individual to improve the quality of decision making and financial management in order to achieve well-being.”⁷
- Financial inclusion is defined as “the availability of access to various financial institutions, products and services according to the needs and capabilities of the community in order to improve the welfare of society.”⁸
- Financial education is defined as “a series of processes or activities to improve Financial Literacy.”⁹

Under the Indonesian regulatory framework, financial literacy education must aim at “improving the quality of individual financial decision-making, bringing about changes in individual attitudes and behaviour in financial management for the better, so that they are able to determine and utilize financial institutions, products and services that are in accordance with the needs and abilities of consumers and/or the community in order to achieve prosperity.”¹⁰

POJK No. 76/POJK.07/2016 further specifies the purpose and structure of financial literacy programs and imposes a centralized system for all FSIs to report their financial literacy programs to OJK regularly. This makes financial literacy and education programs easier to identify, categorize, and monitor.

OJK considers both financial education and the development of infrastructure that can support financial literacy for consumers and/or the public activities that improve financial literacy. Financial education covers education materials about:

- a. financial management;
- b. different types of financial services industry;
- c. financial products and services including their characteristics, which consist of:
 - benefits, costs, and risks of financial products and services;
 - consumer rights and obligations;
 - how to access financial products and services; and
 - transaction mechanism for financial products and/or services;
- d. taxation related to financial products and/or services.

⁷ Art 1 (6) of POJK 76/POJK.07/2016.

⁸ Art 1 (7) of POJK 76/POJK.07/2016.

⁹ Art 1 (8) of POJK 76/POJK.07/2016.

¹⁰ Art 3 of POJK 76/POJK.07/2016.

FSIs can also provide financial education that caters to the needs of consumers that own micro or small businesses. In this case, FSIs must ensure that the consumers leverage products to assist in business activities and provide support to access financial services. This means that FSIs must carry out more hands-on assistance (*pendampingan*) to micro and small business owners during their financial education initiatives.

Finally, as an alternative to financial education, FSIs can perform “infrastructure development” to increase financial literacy” by building and developing facilities that can support financial literacy.”¹¹ These include creating databases of financial education materials, providing human resources, and developing facilities and media for accessing financial education materials, including the use of information and communication technology.

¹¹ Art 9 (1) of POJK 76/POJK.07/2016.

TRACKING FINANCIAL LITERACY AND EDUCATION PROGRAMS CARRIED OUT BY FINANCIAL SERVICE PROVIDERS

A significant milestone in the effort to trace and monitor financial literacy programs was the introduction of OJK Circular Letter (SEOJK) No. 30/SEOJK.07/2017 on the Implementation of Activities to Improve Financial Literacy in the Financial Services Sector and SEOJK No. 31/SEOJK.07/2017 on the Implementation of Activities to Increase Financial Inclusion in the Financial Services Sector. These SEOJKs require FSIs to perform at least one initiative to improve financial literacy and one to improve financial inclusion each year and detail obligations set forth in the 2013 and 2016 OJK Regulations. They also create checklists that FSIs must complete.

The SEOJKs also created OJK's Consumer Education and Protection Reporting Information System (*Sistem Aplikasi Pelaporan Edukasi dan Perlindungan Konsumen* or SiPEDULI).¹² SiPEDULI OJK is accessible to all FSIs including commercial banks, rural banks, securities brokerages and fund managers, pension funds, insurance companies, and non-bank financial institutions (financing companies, venture capitals, pawnshops, guarantee companies, and peer-to-peer lending).

SiPEDULI provides one-stop access to submit reports on plans and accomplishments for financial literacy and inclusion activities carried out by FSIs. The report is submitted with the FSI business plan.¹³ Under SiPEDULI, OJK maintains a database of consumer protection and literacy programs. Based on this database and OJK internal records, 4,574 educational activities were conducted during 2020, 513 of which were carried out in partnership with OJK, while 4,061 activities were independent FSI programs.

The SEOJKs break down activities into "financial education" and "infrastructure development" when they are submitted in SiPEDULI. Financial education can be in the form of:

- a. dissemination (*sosialisasi*),
- b. workshops,
- c. consultations,
- d. mentoring,
- e. outreach programs,
- f. simulations, and
- g. training of community.

These SEOJKs require FSIs to perform at least one initiative to improve financial literacy and one to improve financial inclusion each year and detail obligations set forth in the 2013 and 2016 OJK Regulations. They also create checklists that FSIs must complete.

¹²The online reporting system can be accessed at <https://peduli.ojk.go.id>.

¹³A business plan is a written document that describes the business activity plan of the FSIs, including plans to improve business performance and strategies to realize the plan in accordance with the targets and timelines set, while still taking into account the fulfilment of prudential provisions and the implementation of risk management.

Meanwhile, activities that fall into “infrastructure development” cover:

- a. financial human resources, such as training of trainers or training of facilitators, and
- b. non-financial human resources, which covers:
 - E-learning development,
 - Website development,
 - Mobile app development, and
 - Education module/material development.

A national report on the plan for and realization of financial inclusion and financial literacy activities was submitted for the first time in 2018. The report is compiled into data (Tables 2, 3 and 4) on the realization of financial literacy and inclusion programs implemented by FSIs, including:

- the number of activities by province,
- target participants,
- form of activity, and
- scope of activity implementation.

Table 2.
Financial Literacy Program by Year

	2018	2019	2020
Financial Education	4,302	4,595	3,898
HR Infrastructure	80	103	107
Non-HR Infrastructure	26	24	31

Source: OJK, 2020b.

Table 3.
Further Breakdown of Financial Literacy Program by Year

Type of Activities	2018	2019	2020
Financial Education			
Dissemination (<i>sosialisasi</i>)	3,170	3,446	2,837
Workshop	449	414	328
Consultation	36	70	47
Assistance (<i>pendampingan</i>)	32	42	36
Simulation	25	38	36
Training of community	72	91	57
Outreach program	41	27	8
Others	477	467	549
HR infrastructure			
Training of trainers	33	42	52
Training of facilitators	19	18	24
Others	28	43	31
Non-HR Infrastructure			
E-learning development	2	0	2
Website development	9	4	8
Mobile app development	0	4	4
Financial education module development	3	8	2
Others	12	8	15

Source: OJK, 2020b.

Table 4.
Further Breakdown of Financial Literacy Program by Target Group

Target Group	2018	2019	2020
Informal workers	360	279	213
Farmers	98	90	70
Fishermen	5	16	9
Teachers	86	104	102
Lecturers	34	62	40
Community organizers	0	10	1
Professionals	285	181	239
Employees	334	292	270
Merchants	104	125	94
SMEs	437	394	352
Women	88	108	89
Students	944	997	609
College students	281	337	230
Youth groups	18	24	17
Retiree	121	112	59
Armed forces	3	9	1
Migrant worker candidates	6	0	5
Families of migrant workers	0	7	1
People with disabilities	7	5	6
People with social welfare issues	4	7	1
Community in remote areas	7	5	4
Targeted community	101	110	55
General public	628	780	952
Others	457	668	617

Source: OJK, 2020b.

Although activities declined in 2020 due to Covid-19, Table 3 shows that FSIs have contributed to financial literacy programs in Indonesia. The lack of systematic monitoring and evaluation of these programs makes it challenging to determine which method works best to improve financial literacy. Consequently, channeling resources toward the most effective programs is difficult.

“FSIs have contributed to financial literacy programs in Indonesia. The lack of systematic monitoring and evaluation of these programs makes it challenging to determine which method works best to improve financial literacy. Consequently, channeling resources toward the most effective programs is difficult.”

Methods for Delivering Financial Education

One of the principles set out by OJK for FSIs providing financial education is that educational activities should not be combined with marketing activities for financial products or services. SEOJK No. 1/SEOJK.07/2014 on the Implementation of Education to Improve Financial Literacy of Consumers and/or the Community mentions that “the implementation of education **does not include** the marketing of financial products and/or services offered by Financial Services Business Actors (*Pelaku Usaha Jasa Keuangan* or PUJK). Education focuses on informing the basic features of financial products and/or services including providing knowledge and skills related to benefits, costs and risks.” Interviews 1, 2, and 3 confirm that industry actors share this belief.

On the other hand, some FSIs believe that financial lessons can be effectively delivered if the consumers can directly engage with the financial products and services according to their needs. Education and financial literacy are seen as an integrated process of increasing knowledge, skill, and confidence. This “requires intention, determination, patience, effort and of course capital” (Raizinvest, 2021). Knowing how to use the products and services is therefore part of the learning process. In this case, products and services must be designed so that customers are educated, not exploited when using them.

Box 1.

Educating consumers through product and service engagement

Financial learning by doing

Interviews with financial services providers by the authors finds that some FSIs believe that allowing consumers to engage with and have access to the financial products and services help increase consumers understanding on financial products. A financial product comparison platform, for example, argues features in its platform has automatically educated its users in assessing financial products (Interview 1). This is because the consumers are trained to compare features, interest, fees, and facilities between credit cards and other loan products. The platform provides product parameters that consumers can use to weigh the features of each available product. The consumers can use the parameters to see if a credit card product charges a low-interest rate, but imposes a high annual fee, or vice versa, and consider one that suits their profile the most. Information

like this can be known when more than one product is compared against each other.

Another example is financial planning platforms, which can provide education for users to manage finances, while at the same time linking them with the products suitable to user's needs. One financial planner is of the view that "In financial planning, it is not only literacy that is needed, but practice. The application accommodates these needs because it is equipped with complete tools" (DailySocial, 2021).

For platforms, to ensure the educational element is well connected with product marketing, there are several things that need to be considered. For example, Raizinvest, a mutual fund investment marketplace stated that the product needs to be "designed in such a way that you can start building financial literacy" (Interview 2). The application needs to have a simple design and presents complete and transparent information.

Despite its potential, the 'learning by doing' approach presents challenges when drawing a line between financial literacy efforts and marketing activities.

Product affordability matters too, and so products like stocks and mutual fund investments are often offered with a low account deposit.

Product affordability matters too, and so products like stocks and mutual fund investments are often offered with a low account deposit. Companies like Bareksa have started to introduce mutual fund investments with a minimum amount of IDR 100,000 in 2017, lowered to IDR 50,000 in the following years (Interview 3). Some platforms even lowered the minimum deposit for mutual fund investments to IDR 10,000. Low participation fees improve access to even entry level investors. Low participation costs are also used in microinsurance products integrated with travel and e-commerce platforms, including travel insurance and goods damage insurance. In addition to the low fee, users have the option to purchase an insurance (opt-in) at an additional affordable cost.

Another example of integration between financial literacy and product performance is when the financial product is specifically designed to cater less financially literate consumers. Amarnya, an online loan platform that targets SMEs in rural areas, requires borrowers to undergo a series of financial education programs prior to disbursing the loan. Typically, it is the first time their customers, rural SMEs, have interacted with a formal financial system (Interview 6). Financial education programs are expected to improve both customer financial literacy and loan repayment performance.

Finally, financial education might be better delivered if integrated with products if the features enable a product introduction to consumers that leads to habits that improve financial literacy. Financial applications offer products such as recurring (investment instalments) or roundup (rounding of transactions) payments that automate the product purchase process and familiarize users with financial products "without having to drastically change the customer's lifestyle" (Interview 2). Investment instalments are automatic allocations to products such as mutual funds or gold in small amounts but are carried out regularly, regardless of price fluctuations. Investment instalments aim to build habits while also introducing customers to investment

benefits (when prices rise) and risks (when prices fall). Roundup is a feature that is often linked with the purchase or e-payment of other products, where the change can be allocated to purchase financial products, including stocks, mutual funds, gold, or insurance. Some marketplace platforms in Indonesia offer roundups at the checkout counter in return for products like mutual funds or gold. This can help introduce buyers to other financial products with a relatively low amount and low risk.

Determining which financial education approach works best—independent of or linked to products and services—is beyond the scope of this study. However, it is worth noting that data collected and presented by OJK only include educational and literacy activities separate from products as mandated by SEOJK.

Implementation of Financial Education by Units in the Financial Services Institution

FSIs run programs with different formats appropriate to their capacity, business size, and organizational structure in order to comply with financial literacy obligations. Data from OJK shows that seminars (including talk shows) on the basics of financial products is the most common format. This method is relatively simple to run, easy to replicate at different places or in different contexts, and relatively measurable in quantitative terms (e.g., the number of events, the number of participants, and the number of resource persons involved).

Seminars can also be held in collaboration between several companies, making them viable for small FSIs with limited resources. In the fintech sector with a large pool of newly established digital financial service providers,¹⁴ startups unfamiliar with the Indonesian financial education culture and landscape can organize joint events with more established and more experienced FSIs. Fintech associations play an important role in coordinating educational activities by providing opportunities through seminar events where member companies can act as speakers or resource persons.

Two fintech associations in Indonesia, the Indonesian Fintech Association (*Asosiasi Fintech Indonesia* or AFTECH) and the Indonesian Joint Funding Fintech Association (*Asosiasi Fintech Pendanaan Indonesia* or AFPI), regularly hold seminars in various cities in Indonesia for which the costs are shared. In return, companies prepare materials and resource persons for each activity. OJK also plays a role in suggesting the location of the events, especially outside of Java and Sumatra where FSIs typically have limited outreach (Interview 4 and 5).

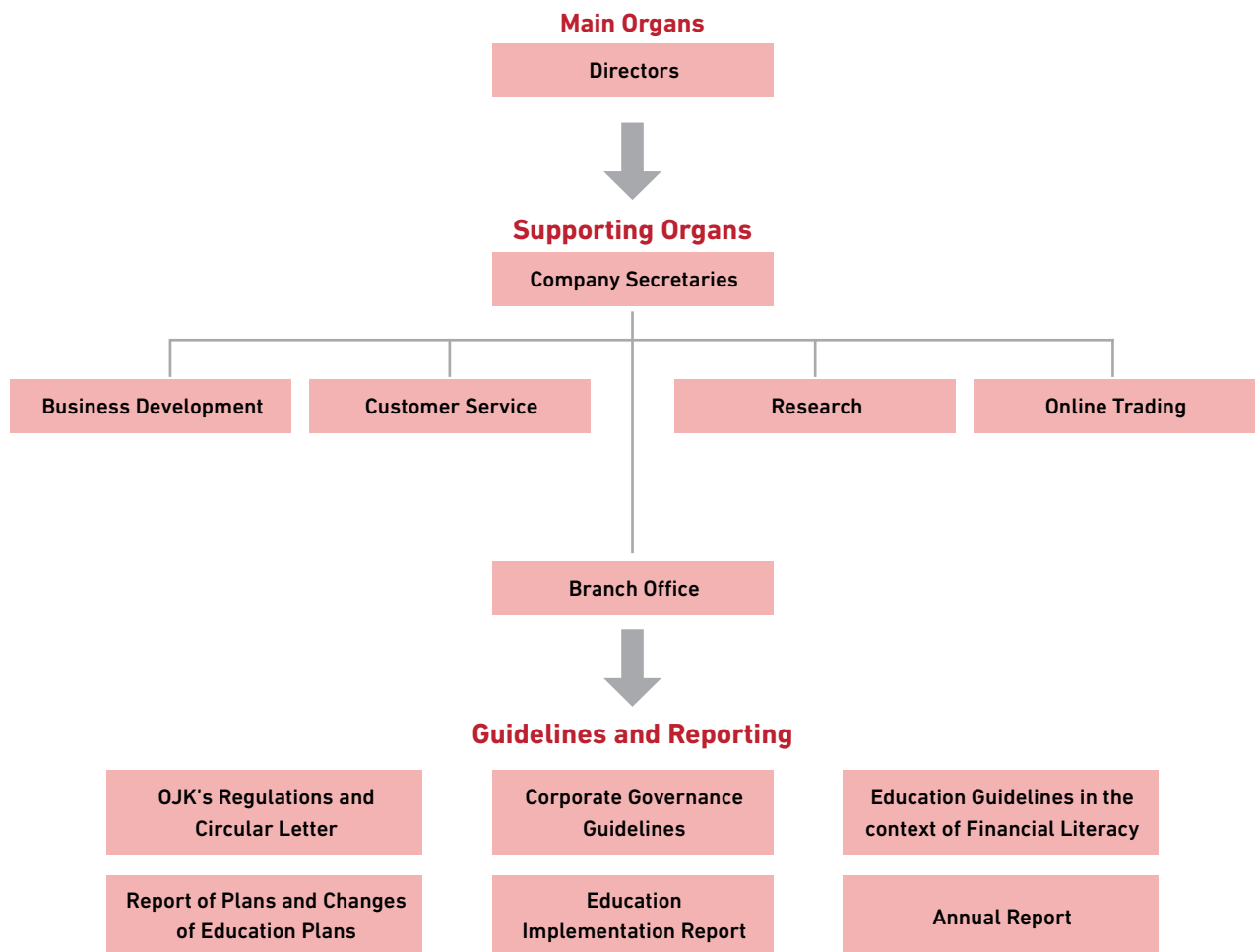
For P2P lending companies, OJK required financial education activities to also take place outside Java and Sumatra to encourage wider fintech product adoption. This approach has changed both because of the Covid-19 pandemic and because in-person seminars are challenging to run. As an alternative, some seminars outside of Java and Sumatra are held in collaboration with local universities.

¹⁴ A study from the Indonesian Fintech Association shows that the growth of fintech in Indonesia has ballooned since 2016, when there were 24 fintech companies operating in Indonesia. In 2020, there were approximately 360 fintech companies, representing more than 20 business models (AFTECH, 2021).

Seminars are typically coordinated by the public relations and/or communication departments of each FSI. AFTECH and AFPI have a special network and coordination team consisting of the public relations department of each member company which regularly organizes events.

For mature FSIs whose business that have the internal resources (e.g., market research, customer service, business development, sufficient employees), financial education initiatives may involve various departments within their organization to have better integration between the education programs and business activities, as illustrated in Figure 4. Financial education programs can involve units that engage with customers, such as customer service (to ensure customers understand the offered product), business development (to explore new business potentials from customer preferences and understanding), research division (as market research material that can be utilized by the company), and business units directly related to the marketing and use of products.

Figure 4.
Example of an Organizational Structure for Implementing Financial Education and Literacy



TRACKING FINANCIAL LITERACY AND EDUCATION PROGRAMS DRIVEN BY OJK

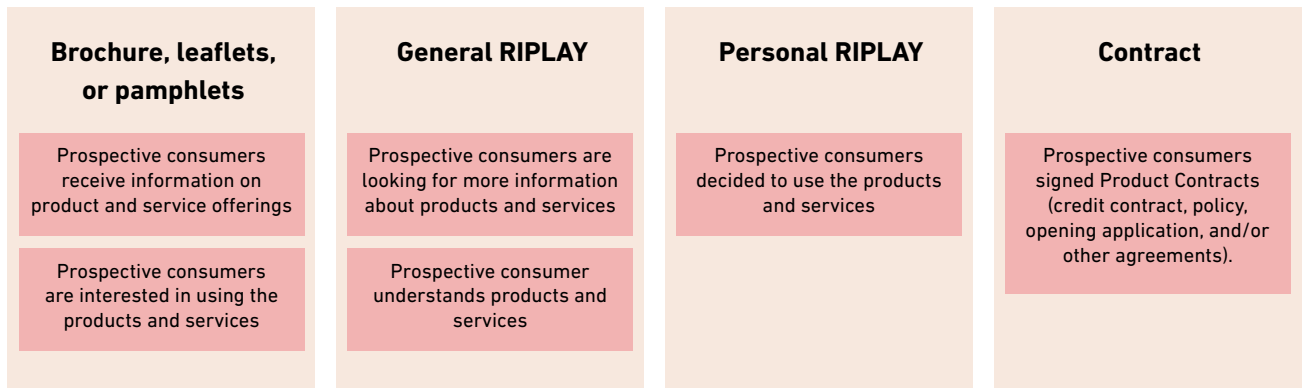
OJK has a legislative mandate to improve financial education and financial literacy in order to better protect financial consumers. Every year, OJK launches an overarching theme that serves as the basis for an annual campaign and program. In 2020, the theme was “Wise Money Management and Smart Investment towards Financial Freedom”, and a separate theme for Islamic finance . Initiatives of OJK can be classified into the following projects.

1. *Annual Financial Inclusion Month*. Since 2018, OJK has administered its flagship annual national “Financial Inclusion Month”, which covers a series of activities organized by OJK in conjunction with relevant government ministries and agencies as well as financial services institutions¹⁵ in October. In 2020, 269 booths from government agencies and FSIs participated at the virtual expo. During the event, 789,025 new bank accounts were opened with a nominal value of IDR 35.51 trillion. In addition, 825,272 student accounts were opened during the event with a value of IDR 300.67 billion, exceeding the original target of 500,000 accounts. The event facilitated 44,758 new insurance policies, 41,142 new securities accounts, 92,672 borrowers at finance companies, 10,667 new pawnbroker accounts, and 82,135 fintech accounts (OJK, 2020d).
2. *Product guidance*. OJK provides guidance and templates called Product and Service Information Summary Standard (*Ringkasan Informasi Produk dan Layanan* or RIPLAY)¹⁶ for FSIs, which are required to provide basic information material about their products pursuant to POJK No.1/POJK.07/2013 on Consumer Protection in the Financial Services Sector. FSIs must comply with these guidelines. OJK published the most recent RIPLAY which came into effect in 2020. According to RIPLAY, FSIs must provide two categories of information, general and personal. General information includes the main features of the products and services, costs, benefits, and risks. Personal information is similar except it is personalized based on the products and services the customer has chosen. Figure 5 illustrates RIPLAY standards.

¹⁵ Financial Inclusion Month is an annual event led by OJK and BI. The Coordinating Ministry of Economic Affairs through its National Council for Financial Inclusion also regularly participated as a co-host. The Council hosts several agencies, in addition to OJK and BI, namely the MOCI, the Land Agency, the Ministry of Home Affairs, the Ministry of Finance, and the Ministry of Cooperatives and Small and Medium Enterprises.

¹⁶ The newest version of RIPLAY can be accessed at https://sikapiuangmu.ojk.go.id/FrontEnd/images/FileDownload/544_Booklet%20FAQ%20Pedoman%20RIPLAY_hires.pdf

Figure 5.
Illustration of RIPLAY Delivery to Customers



Source: OJK, 2019.

3. *Web-based and mobile applications.* OJK has developed products in the form of websites, minisites (a sub site of a main site), and mobile applications—including gaming apps—to promote financial literacy. One example is the SikapiUangmu program. The SikapiUangmu minisite is a web-based and mobile-app based information platform,¹⁷ while the SikapiUangmu website hosts the national financial literacy material database as well as financial inclusion and literacy data. The national financial literacy material database presents financial literacy and education materials from OJK and other organizations in different formats, including booklets, videos, and infographics. SikapiUangmu also offers a mobile application aimed at helping users to control and manage their finances through spending tracking and product knowledge. The mobile app had been downloaded by more than 10,000 users as of November 2021. OJK cooperated with social media influencers to educate and promote OJK’s SikapiUangmu program and 90 articles, 137 social media posts, and 26 videos have reached more than 2 million users in 2020 (OJK, 2020c). As of November 2021, OJK had also developed three gaming apps about the importance of savings and on the difference among financial products in the market that target children and students (Picture 1).

Picture 1.
OJK Gaming Apps Aimed at Children and Students



Games: My Saving

Games: Let's Save

Games: Identify the Product

Source: OJK, 2021a.

¹⁷ Visit the minisite at <https://sikapiuangmu.ojk.go.id>

4. *Community engagement and outreach.* OJK implements a range of community financial education activities, predominantly online, to increase public financial literacy. Community-based education activities target millennial women, housewives, students, professionals, MSMEs, Indonesian migrant workers (*Pekerja Migran Indonesia* or PMI), workers, farmers/fishermen, and other communities. OJK also implemented Training of Trainers (ToT), which trains teachers/lecturers to ensure they are capable of effectively teaching the material. Materials taught during financial education and Training of Trainers included an introduction to OJK, financial planning, consumer protection, investment alert, and financial products/services¹⁸.
5. *Early learning financial education targeting children of 4–6 years old.* Recently, OJK launched an early learning financial literacy book series with the support of the Asian Development Bank. The material was designed to be read aloud and includes various supporting activities. OJK has implemented Training of Trainers for members of the Association of Indonesian Early Childhood Educators and Education Personnel (*Himpunan Pendidik Dan Tenaga Kependidikan Anak Usia Dini Indonesia* or HIMPAUDI) in 34 provinces. The early learning financial literacy book series contains four illustrated storybooks and one companion book targeting teachers and parents. The overarching theme is saving, sharing, and spending.

In their “one decade of financial consumer protection” press release (OJK, 2021b), the consumer protection department of OJK highlights several OJK initiatives to boost financial inclusion and financial literacy. These are detailed in Table 5.

Table 5.
OJK Initiatives for Financial Education and Consumer Protection

Name	Descriptions
Student Savings (<i>Simpanan Pelajar</i> or SimPel), introduced in 2015	Basic Saving Account offered by partner banks co-branded with OJK in order to get joint-marketing campaigns to encourage saving among students led by OJK.
One Account One Student (<i>Satu Rekening Satu Pelajar</i> or Kejar), introduced in 2021	Continuation of SimPel, the program is an OJK-co-branded joint-marketing program between banks, OJK, and government bodies (such as the Ministry of Religious Affairs and local governments) to encourage savings among students.
Youth and Student Savings (<i>Simpanan Pemuda dan Mahasiswa</i> or SIMUDA), introduced in 2019	OJK-co-branded joint-marketing program between OJK and partner FSIs to introduce savings accounts to young adults 18–30 years old, bundled with investment products.
Credit/Financing Against Moneylenders (<i>Kredit/Pembiayaan Melawan Rentenir</i> or K/P MR), launched in 2020	Partnership between OJK and the Regional Financial Access Acceleration Team (<i>Tim Percepatan Akses Keuangan Daerah</i> or TPAKD) to develop a “generic model” (or a business plan) whereby FSIs, especially rural banks or credit providers, can participate to offer affordable credit in an effort to eliminate village loan sharks (<i>tengkulak</i>).

Source: OJK, 2021b.

In order to improve the reach of its financial literacy program, in 2015 OJK introduced more than twenty cars as mobile financial education centers called financial education cars (*Si Mobil Literasi Edukasi Keuangan* or SiMOLEK). The cars contain financial education materials and visit remote towns and villages to distribute the materials mostly to students.

Picture 2.
OJK's financial literacy car, Si Mobil Literasi Edukasi Keuangan



Source: (OJK, 2016).

In contrast to FSIs, which focus their education efforts based on their customers or operations, OJK targets broader population for its financial education programs. In SNLKI 2021–2015, OJK identified 10 priority targets¹⁹, including students, women, farmers, and populations in the least developed regions. Among these groups, OJK has made progress in narrowing some financial literacy gaps. Financial literacy for women in 2019, for example, is at 36%, only 3 percentage points lower than for men. Other gaps, such as those affecting remote and least developed regions, remain large. In Nusa Tenggara Timur, financial literacy is only 27%, 11 percentage points below the national level, and 31 percentage points lower than DKI Jakarta. The number of financial education programs also differ significantly. There were 609 programs hosted in Jakarta during 2020, compared to 19 programs in Nusa Tenggara Timur (OJK, 2021c).

To improve program outreach, OJK often partners with relevant ministries. For example, the *Kejar* program, which targets *madrasah* or *pesantren* students, was carried out in partnership with the Ministry of Religious Affairs (MORA, 2021), while a financial education program for fishermen is carried out alongside maritime financing programs in cooperation with the Ministry of Maritime and Fisheries Affairs (OJK, 2015).

The financial sector already has a solid foundation for improving financial literacy. Progress is being made in improving not only overall levels, but also targeted gaps important to OJK and the government. Tracking of programs is underway and partnerships are both common and useful to education efforts. Despite these successes, it is unclear how effective each of these programs or category of programs is, or how much impact they generate per dollar invested.

¹⁹ The full list of 10 targets: students and youths, professionals, employees, farmers and fishermen, PMI and PMI candidates, MSMEs, people with disability, community in the least developed regions, women or housewives, and general community.

As with literacy programs created by FSIs and evaluated as part of their business plans, OJK must evaluate the effectiveness of its programs. SNLKI 2021–2025 identifies room for improvement in monitoring and evaluation. At present, most evaluation is limited to pre- and post-event surveys. More comprehensive and systematic evaluation and monitoring methods are crucial for targeting resources and improving outcomes.

The lack of comprehensive monitoring and evaluation prevents OJK from allocating its budget according to insight about which programs are the most cost-effective. Especially as OJK aims to expand its financial literacy programs to remote and least developed regions (a target population in SNLKI 2021–2025) where providing programming may be costly, channeling resources into the most effective programs will be crucial. In the long run, OJK and the financial industry as a whole must improve the quality of existing programs in terms of program diversity, content, and method of delivery.

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FINANCIAL LITERACY AS A RESPONSE TO MAJOR CONSUMER COMPLAINTS

“ From a consumer protection perspective, the two main issues affecting financial services are access and suitability (Lumpkin, 2010). Consumer financial literacy is important for both, but especially suitability.

The lack of comprehensive monitoring and evaluation of the programs makes difficult to tailor them to address basic consumer concerns on financial services. From a consumer protection perspective, the two main issues affecting financial services are access and suitability (Lumpkin, 2010). Consumer financial literacy is important for both, but especially suitability. Financial education programs by OJK and FSIs have improved overall financial inclusion and financial literacy, but financial literacy still lags financial inclusion. The wide gap between the two could lead to negative outcomes such as poor financial decisions or increased investment fraud.

Focus of financial literacy content varies across countries and regions. For example, Financial Industry Regulatory Authority (FINRA) in the United States focuses financial literacy on consumers' knowledge about interest, compounding, inflation, diversification, and bond prices, in order to answer the “Big Three” of financial literacy: numeracy, inflation, and risk diversification (Fisch, Hasler, Lusardi, & Mottola, 2019). These key concerns for financial literacy may result from the need to plan for retirement, which can be a combination of investment plan, social security, potential health needs and insurance, and payment for housing mortgage and among many, student debt. Consumers face a variety of savings, credits, and investment instruments to select from choices of banks, credit unions, brokerage firms, credit card companies, and more.

In Indonesia, the problems seem to be a lot more basic yet crucial if the financial products and services are to effectively improve people's livelihood. Technology-based financial services increase financial consumer access to financial products but raise suitability concerns. When financial products are extended to first-time users with insufficient understanding, ill-informed financial decisions could be the corollary. Some may even take advantage of the low literacy level and trick consumers into excessive debts or investment scams.

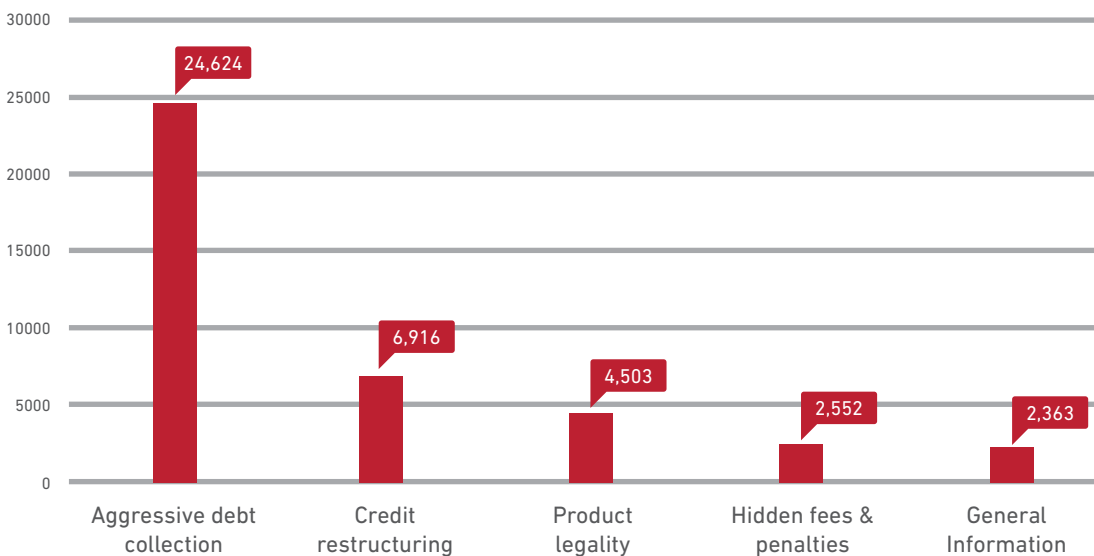
Financial Literacy on Digital Peer-To-Peer Lending

With a total loan disbursement of around IDR 283 trillion (USD 19 billion) since its introduction and reaching around 71 million borrower accounts (OJK, 2021d), digital lending serves as an important illustration of how financial literacy is applied.

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Controversies surrounding digital lending products have affected which financial literacy issues are most relevant in this policy space. One often-cited concern is ultra-high interest rates (1–3% per day), but OJK data (Figure 6) shows that consumers are more concerned about aggressive debt collection practices, an inability to pay (and subsequent need to restructure debt), and discerning whether a product is legal when there are so many illegal digital lenders.

Figure 6.
Official Complaints Received by OJK (January 2015–May 2020)



Source: UNCOMTRADE, authors' calculation

Personal data access

A common practice in the early days of digital loans was direct calls by lenders to borrowers' contact lists or address books to collect repayment, often aggressively and without consent. This practice represents misuse of personal data. Growing concerns over personal data abuse led to the issuance of OJK Fintech Lending Department Director Letter No. S72/NB/13/2019 on 12 February 2019, which limits fintech lender access to mobile internet data to: microphone, camera, and location. The 2019 letter prohibits peer-to-peer (P2P) lending operators from using call histories, text messages, and address books from borrowers' mobile phones (Suleiman, 2021).

The letter prohibits lending platforms from accessing data that many relied on to develop alternative credit scoring models. Indonesia's credit reporting system is weak, and the country's national identity system fails to prevent widespread identity theft. As a result, providing consumer loans is extremely risky—it's difficult to figure out who a lender is dealing with and how creditworthy they are. Fintech lenders developed contact list evaluation as one method for credit assessment (Suleiman, 2021).

The Indonesian Joint Funding Fintech Association (AFPI) argues that there is good reason for fintech lenders to question the OJK's decision, which can be counterproductive. Other jurisdictions

did not prohibit access to phone data so long as it follows key personal data protection principles such as user consent, usage only for specific-purpose, and limiting access to necessary data or data minimization (Suleiman, 2021). Better financial literacy regarding digital loan products and how these products use data is therefore important for the success of digital loan products.

Product legality

Since a license is not required to informally lend money, the number of illegal online loan operations is staggering. From July 2018 to December 2019, OJK blocked 1,898 mobile apps, and another 800 apps were blocked annually in 2020 and 2021, bringing the total number of blocked apps to 3,631 (MOCI, 2021). Nearly all of these apps were operating as fintech payday lenders. The high number of apps could mask a much smaller number of actual companies—a single firm may develop multiple lending platforms. One developer, Xinhe, uploaded at least nine P2P lending apps to the web and the Google Play Store (Suleiman, 2019).

The conduct of these apps has harmed consumers, and OJK data confirms that company legality is among the top three of financial consumer concerns. The spread of abusive debt collection practices in fintech started to make national headlines in June 2018. Later, it was discovered that these practices were largely undertaken by fintech operators not registered with OJK. Illegal lenders also charge significantly higher rates and fees, with interest rates as high as 3% per day and late penalty fees reaching 5% per day. In response, OJK regularly publishes a list of unregistered fintech lenders. From a financial literacy perspective, both OJK and AFPI have launched campaigns to help consumers distinguish between legal and illegal operators.

Interest rates

From July to December 2018, there were mass protests and rallies throughout Indonesia attacking fintech lenders for high rates and aggressive lending practices (Suleiman, 2019).²⁰ Ultra-high interest rates have always been a subject of controversy in the digital loan space. OJK does not regulate interest rates and so far has chosen not to intervene. In March 2018, the then-newly appointed chairman of OJK raised the issue of regulation to combat ultra-high interest rates for the first time. In December 2018, the Indonesian Legal Aid Foundation (*Yayasan Lembaga Bantuan Hukum Indonesia* or YLBHI), compiled a list of violations committed by fintech payday lenders. As of February 2019, YLBHI has received over 3,000 complaints about payday lenders which includes charging interest rates of 1–2 % per day (Heriani, 2019).

In response to public pressure, In March 2021, AFPI self-imposed an interest rate cap at 0.8% per day, and in October 2021 reduced the cap to 0.4% per day.

Despite the public outcry, OJK data shows that high interest rates are not a top concern of consumers. Digital financial literacy concerns remain focused on the short-term: ensuring consumer access to legal and compliant products. Longer-term and abstract issues of increasing consumer welfare, building a credit profile, managing credit exposure, and longer-term financial planning have therefore not yet been addressed by OJK or the industry.

²⁰ Although most protests targeted illegal fintech lenders, a handful of registered fintech payday lenders were also targeted.

Case Study: Public Financial Literacy on Unit Link Products

Low financial literacy could lead consumers to buy financial products that, while legal, are inappropriate for them. As more Indonesians purchase investments and more complex financial services become more accessible through technological innovation, addressing this problem has become a higher priority.

Many FSIs no longer provide a single financial service or product. Consumers are exposed to options they may not be familiar with or simply do not understand well. Unless financial literacy can be improved, poor decisions should be expected. For example, life insurance is sometimes made available alongside investment products as part of a service known as *unit link*.

Increasing consumer complaints about unit link products in recent years illustrates how limited understanding of financial products leads to regrettable financial decisions. Data from OJK's Consumer Education and Protection Reporting Information System (SiPEDULI) shows that the number of unit link complaints increased from around 500 complaints in 2015 to over 2600 complaints in 2017 (OJK, 2017). Most of complaints claim little to no awareness of the risk associated with the investment products linked to their insurance policy. The lack of a clear explanation of the products by insurance agents is also suspected.

Similarly, OJK (2017) analysis of unit link products reveals the main reasons given for the growing number of complaints are non-transparent information about the product; ineffective communication between providers and customers; incorrect forecasts and estimations; incompetent insurance agents (especially when providing information of the product to the customers); and insufficiently detailed progress reports. Most of the insurance firms do not include past performance in managing customer funds when promoting their products. Some providers even assume relatively high returns without historical evidence (OJK, 2017).

OJK recognizes that unit link products are riskier than regular insurance policies and has set standards and protocols for FSIs to market these products. According to article 47 paragraph (3) POJK No. 23/POJK.05/2015 on Insurance Products and Marketing of Insurance Products (POJK 23/2015), FSIs must have a face-to-face, in-person meeting with potential buyers to explain the risk associated with the product. This does not guarantee that consumers can make fully informed purchases, especially since this requirement was temporarily suspended by POJK No. S-18/D.05/2020 on Technical Adjustments of Unit Link Marketing Implementation as a Response to Covid-19 Impact for Life Insurance Companies and Sharia Life Insurance Companies. To provide a more comprehensive answer to these problems, OJK is drafting a circular letter on unit link products as mandated by article 4 paragraph (2) POJK 23/2015.

Poor financial literacy in financial market does not only harm consumers. When customers assume inappropriate risks it is also bad for FSIs. While individual agents may make more sales by exploiting poor financial literacy, poor understanding of risks could increase default incidence, harming lenders. It is in the best interest of FSIs to ensure that consumers are well-informed, with access to accurate and realistic forecasts and expectations to base their decisions on.

While individual agents may make more sales by exploiting poor financial literacy, poor understanding of risks could increase default incidence, harming lenders. It is in the best interest of FSIs to ensure that consumers are well-informed, with access to accurate and realistic forecasts and expectations to base their decisions on.

The unit link case illustrates why the consumer-facing nature of FSI agent work makes those agents potentially important participants in improving financial literacy. Alternatively, they can take advantage of low financial literacy to make more sales. In the long run, profiting from ill-informed customers could damage consumer trust and hurt FSI credibility.

Fraudulent Investment Products

Every year, thousands of Indonesians fall victim to investment scams. In 2016 and 2017, Saving and Loan Cooperative (*Koperasi Simpan Pinjam* or KSP) Pandawa Mandiri Group, an Indonesian cooperative business, ran micro-lending and investment activities to raise funds for the community and promised 10% profit every month to its members. KSP Pandawa Mandiri Group obtained a permit from the Ministry of Cooperatives and Small and Medium Enterprises in 2015 that allowed the business to distribute funds but prohibited raising funds. In 2016, members began to complain that they were no longer receiving the promised benefits and could not withdraw their funds—the company had defrauded them. An estimated 39,068 people lost IDR 3.32 trillion as a result of this investment fraud (Peter & Ardison, 2021).

At the end of 2021, investment fraud in medical device investment made the news, leading the Directorate of Special Economic Crimes of the Criminal Investigation Agency of the Indonesian National Police to open a complaint desk to handle victims of the fraud. The net loss is predicted to be IDR 1.2–1.3 trillion with around 3,000 victims.

Such cases are not new to Indonesians. According to the Investment Alert Task Force (SWI), in the last 10 years, losses due to illegal investments have reached IDR 117.4 trillion. The cost of investment fraud extends beyond the amount of money lost. Other costs include legal fees, late fees, and lost wages, and are often not taken into account. Nor are non-financial costs of fraud such as stress and depression (Kieffer & Mottola, 2016).

Every year, OJK updates a categorized list of unregistered investments on their website for the public. Illegal fintech and foreign exchange (forex) investment scams are among the most common. Fraudulent investment continues to occur due to low financial literacy in the capital market sector—in 2019, financial literacy on the capital market was only 1.55%.

Table 6.
List of Unregistered Investments and Not Under OJK Supervision (2018 – 2020)

	2018	2019	2020*	2021*
Forex	336	336	87	8
Money Investment	14	12	12	N/A
Real Sector Investment	13	N/A	N/A	4
Stock Investment	5	N/A	N/A	8
Cryptocurrency	30	13	3	19
Foreign Stock Investment	2	N/A	N/A	N/A
Foreign Currency Investment	N/A	N/A	N/A	N/A
Online Investment	N/A	N/A	N/A	N/A
Other Investments	85	64	4	52
Illegal Multi-Level Marketing	46	21	N/A	2
Illegal Fintech	628	1,494	801	708

*Estimated number.

Source: OJK, (n.d.). Processed by Author.

Activities related to raising and managing public funds are regulated by laws and regulations such as Law No. 10/1998 on Banking, Law No. 8/1995 on Capital Market, and Law No. 32/1997 on Commodities Futures Trading. These laws and regulations allow only some types of institutions (e.g., bank, insurance, pension funds, multifinance, and capital markets) to carry out public fundraising based on specific mechanisms and permits. Any entity that engages in public fundraising without relevant permits works illegally, even though they might be legally established and have a legitimate Company Registration Certificate (Tanda Daftar Perusahaan or TDP) and business license for general trading (*Surat Izin Usaha Perdagangan* or SIUP).

Ministry of Trade Regulation No. 36/2007 on Issuance of Trading Business Permits stipulates that companies are prohibited from using SIUP to carry out activities to collect public funds by offering unrealistic profits (money game). Consumers are sometimes inattentive to these details and convinced to invest with fraudulent companies with only general licenses that promise unrealistic investment returns. Some companies have also raised public funds by using a business license of another company in its operations (Satgas Waspada Investasi, 2016).

The government, particularly OJK, has been working on preventing and uncovering investment fraud through education and campaigns to the public. OJK works with relevant institutions such as the National Police, Ministry of Cooperatives and Small and Medium Enterprises (MOCSME), Ministry of Communication and Informatics (MOCI), and Indonesian Investment Coordinating Board (BKPM). These agencies regularly coordinate to block access to illegal financial sites or

applications. OJK also regularly updates the list of illegal entities through press releases and Investment Alert List.

OJK also runs the “2L Check” campaigns, encouraging consumers to apply the “legal and logic” principles when considering a financial product. The legal principle encourages users to check the legality of the providers through several official OJK channels.²¹ The logic principle encourages customers to understand when profit forecasts are unrealistic. The ability to judge what returns are realistic depends in some measure on financial literacy, and so improving financial literacy also serves this goal. The 2L Check message is promoted through various channels such as online webinars, social media posts, and in the SikapiUangmu website.

Private sector campaigns also aim to combat investment fraud, including the Anti Fake Fintech Campaign or *Kampanye Anti Fintech Palsu* started by AFTECH and supported by OJK, the Bank of Indonesia, and the Ministry of Communications and Informatics. This campaign highlights recent frauds using the name or logo from legal fintech providers being used to trick victims. As a part of the campaign, AFTECH released CekFintech.id, a website to check legality of fintech providers, and CekRekening.id to check bank accounts used by the perpetrators of investment fraud. Unfortunately, despite government and private sector efforts to prevent and uncover investment fraud, Indonesia appears to have no shortage of victims.

²¹ Legal OJK channels include the 157-call line and konsumen@ojk.go.id

CONCLUSION AND POLICY RECOMMENDATIONS

Financial literacy is tied to consumer protection. Financial education programs can help consumers when budgeting and managing their income, understanding and choosing financial products based on their risk profile, and avoiding investment fraud. As financial products and services become more sophisticated, consumers also assume greater responsibility in their financial management. Informed consumers are essential not only to helping those consumers achieve their financial goals but also for facilitating a functioning financial market and economy. Financial education programs can be considered a collective investment to address risks in the financial sector such as fraudulent investment products and unlicensed lenders.

Financial literacy is tied to consumer protection. Financial education programs can help consumers when budgeting and managing their income, understanding and choosing financial products based on their risk profile, and avoiding investment fraud.

OJK and FSIs are committed to improving public financial literacy. This has been done through incorporating and emphasizing consumer protection as part of the five pillars of National Strategy for Financial Inclusion (*Strategi Nasional Inklusi Keuangan* or SNKI)²², strategic programs under the National Strategy for Indonesian Financial Literacy (SNLKI) 2021–2025, and through annual campaigns and programs. Both OJK and FSIs are working to provide better consumer complaints handling and disputes resolution to improve consumer confidence and loyalty in financial products and services and improve FSI profitability.

Since the establishment of OJK in 2012, financial literacy has been at the center of Indonesia's financial policy. In 2013, OJK first released the SNLKI, which was updated in 2017 and 2021. The 2021 strategy is an implementation of the overall OJK 2021–2025 Financial Service Sector Master Plan, in which financial literacy is a main component. Since 2013, OJK has regularly released a national survey to monitor and track financial inclusion and literacy.

Financial institutions are required to conduct financial literacy programs, which OJK tracks through a national repository of financial literacy programs, begun in 2018. In 2016, the President issued a National Strategy on Financial Inclusion and since then OJK, ministerial, and local government agencies have acted as independent regulators to promote financial inclusion and literacy. All of these, along with other initiatives such as OJK consumer complaint handling mechanism and consumer dispute resolution, have contributed to the improvement of financial literacy and consumer protection. But more work remains to be done.

²²The five pillars of the National Strategy for Financial Inclusion are: financial education, financial eligibility, supportive regulation, facilitating intermediation, and distribution channels.

One area that is often highlighted under the national financial literacy and inclusion survey is the gap between financial inclusion and financial literacy. Surveys consistently score financial literacy lower than financial inclusion, including the latest OJK survey, which found that the financial inclusion index in 2019 was at 76.19% while financial literacy was 38.03%. The result of this gap is that consumers may have the access, capacity, and demand to purchase financial products, but not the necessary knowledge, skill, and attitude to use that product to improve their welfare.

OJK and FSIs regularly organize and manage financial literacy programs, often collaborating on events facilitated by industry associations. OJK's repository shows that dissemination seminars and workshops are consistently the most common literacy programs. Burden sharing with OJK also incentivizes FSIs to collaborate and run joint programs. Despite their popularity, the effectiveness of these seminars to promote financial literacy has yet to be properly evaluated.

FSIs will likely continue to focus their financial literacy programs on their potential customers, while OJK will target wider audiences. FSIs have a stronger incentive to ensure that their programs provide the intended education, since it affects their product performance through higher loan repayment rates and higher or more appropriate investment deposits. Nonetheless, both OJK and FSIs need to conduct comprehensive and systematic evaluations of each program in order to ensure resources are directed toward the most efficient and effective financial education, especially when reaching the most at-need population groups, such as rural communities in the least developed regions, identified in the SNLKI 2021–2025.

Financial education content and delivery also require proper evaluation. Financial literacy programs in Indonesia mostly revolve around product knowledge. But there is a debate regarding whether program delivery should be conducted as combined with or separate from product marketing. Separation simplifies tracking and monitoring of literacy program, but may not be the best way to educate consumers about the concrete financial decisions they are likely to make. Product-driven financial education programs offer better guidance on specific decision-making but may fail to address the longer-term financial needs of consumers. These programs should also be appropriately evaluated. The centralized reporting system can be improved to allow for program monitoring and evaluation.

The financial sector already has a solid foundation for improving financial literacy. However, in the long run, OJK and the financial industry as a whole must improve the quality of existing programs in terms of program diversity, content, and method of delivery.

“The financial sector already has a solid foundation for improving financial literacy. However, in the long run, OJK and the financial industry as a whole must improve the quality of existing programs in terms of program diversity, content, and method of delivery.”

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Interview

Interview 1: A chief executive officer of an online portal to compare financial products and services (2021, December). Personal communication.

Interview 2: A director at a mutual fund marketplace Raiz invest. (2022, January). Personal communication.

Interview 3: A chief marketing officer at a mutual fund marketplace Bareksa. (2022, January). Personal communication.

Interview 4: The Indonesian Fintech Association. (2022, January). Personal communication

Interview 5: The Indonesian Joint Funding Fintech Association. (2021, December). Personal communication

Interview 6: A Chief Risk and Sustainability Officer at Amarthia (2022, January). Personal communication

APPENDIX 1.

Summary and Comparison of SNLKI 2013, 2017, and 2021–2025.

Indicators	SNLKI 2013	SNLKI 2017	SNLKI 2021-2025
Targets	<ul style="list-style-type: none"> Housewives SMSEs Student Professionals Employees Retired 	Same but include new targets: <ul style="list-style-type: none"> People with disability Migrant workers and future migrant workers Farmers and fishermen Disadvantaged, Remote and Outermost Communities 	Same as 2017
Principles	N/A	General Principles of Financial Literacy <ul style="list-style-type: none"> Planned and Structured Target oriented Sustainable Collaboration General Principles of Financial Inclusion <ul style="list-style-type: none"> Measurable Affordable Right on target Sustainable 	Same as 2017
Programs	Education and National Campaign <ul style="list-style-type: none"> Develop educational programs and national financial literacy campaigns Implement financial literacy education programs and national campaigns Strengthening Financial Literacy Infrastructure <ul style="list-style-type: none"> Develop a material database and financial literacy information system Prepare other financial literacy supporting infrastructure <p>Financial Product and Service Development</p> <p>Develop and market financial products and services in accordance with the needs of the community in the fields of Banking, Insurance, Financing Institutions, Pension Funds, Capital Markets and Pawnshops</p>	Financially Literate Increase public awareness and understanding of financial institutions, products and services.	Financially Literate <ul style="list-style-type: none"> Developing a Strategy for the Implementation of Age-appropriate Financial Literacy and Education Activities Developing Financial Literacy and Education infrastructure based on MOOC Improving financial literacy in Sharia sector Developing financial education through religious leaders Affirmative action intensification Wise Financial Attitude and Behavior <ul style="list-style-type: none"> Encouraging education and literacy based on risk-based consumer protection Develop tools and materials to strengthen wise financial attitudes and behavior Strengthening wise financial behavior through outreach activities and the development of financial literacy data agents

<p>Roadmaps</p>	<p>N/A</p>	<p>N/A</p>	<p>2021</p> <ul style="list-style-type: none"> • LMS development • Curriculum Development • Improving Islamic Financial Literacy • Improving Capital Market Financial Literacy <p>2022</p> <ul style="list-style-type: none"> • Implement the National Survey on Financial Literacy and Inclusion Indonesia (SNLIK) • Curriculum Intensification • Implementation of Affirmative Action on 3T Financial Literacy and Education and Disabilities <p>2023</p> <ul style="list-style-type: none"> • Intensifying the Use of LMS through Inter-Agency Strategic Alliances <p>2024</p> <ul style="list-style-type: none"> • Expanding the Scope of Financial Literacy and Education Activities as well as Public Financial Access, Especially Generic Financial Inclusion Products <p>2025</p> <ul style="list-style-type: none"> • Enhancement of Digital Financial Literacy and Education Activities (Dashboard Applications and Smartphone-Based Tools) and Evaluation of the Effectiveness of the 2021 SNLKI Implementation
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